

**LYON COUNTY**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2015**

*De Noble, Austin & Company PC  
Certified Public Accountants  
Rock Rapids, Iowa*

## Table of Contents

|  | <b>Page</b>               |
|--|---------------------------|
| <b>Officials</b>   | 1                         |
| <b>Independent Auditor's Report</b>  | 2-4                       |
| <b>Management's Discussion and Analysis</b>  | 5-17                      |
| <b>Basic Financial Statements:</b>   | <b><u>Exhibit</u></b> 18  |
| Government-Wide Financial Statements:  |                           |
| Statement of Net Position  | A 19-20                   |
| Statement of Activities  | B 22                      |
| Governmental Fund Financial Statements:  |                           |
| Balance Sheet  | C 23-24                   |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position  | D 25                      |
| Statement of Revenues, Expenditures and Changes in Fund Balances   | E 27-28                   |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities   | F 29                      |
| Proprietary Fund Financial Statements:   |                           |
| Statement of Net Position  | G 30                      |
| Statement of Revenues, Expenses and Changes in Fund Net Position   | H 31                      |
| Statement of Cash Flows  | I 32                      |
| Fiduciary Fund Financial Statement:  |                           |
| Statement of Fiduciary Assets and Liabilities – Agency Funds   | J 33                      |
| Notes to Financial Statements  | 34-58                     |
| <b>Required Supplementary Information:</b>   | 60                        |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds   | 61                        |
| Budget to GAAP Reconciliation  | 62                        |
| Notes to Required Supplementary Information – Budgetary Reporting  | 63                        |
| Schedule of the County's Proportionate Share of the Net Pension Liability  | 64                        |
| Schedule of County Contributions   | 65                        |
| Notes to Required Supplementary Information – Pension Liability  | 66-67                     |
| Schedule of Funding Progress for the Retiree Health Plan   | 68                        |
| <b>Supplementary Information:</b>  | <b><u>Schedule</u></b> 70 |
| Nonmajor Governmental (Special Revenue) Funds:   |                           |
| Combining Balance Sheet  | 1 71-72                   |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  | 2 73-74                   |
| Agency Funds:  |                           |
| Combining Schedule of Fiduciary Assets and Liabilities   | 3 75-76                   |
| Combining Schedule of Changes in Fiduciary Assets and Liabilities  | 4 77-78                   |
| Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds   | 5 79-80                   |
| Schedule of Expenditures of Federal Awards   | 6 81                      |
| <b>Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> | 84-85                     |
| <b>Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133</b>  | 87-88                     |
| <b>Schedule of Findings and Questioned Costs</b>   | 91-103                    |
| <b>Staff</b>   | 104                       |

# LYON COUNTY

## OFFICIALS

| <u>Name</u>                     | <u>Title</u>                         | <u>Term Expires/Expired</u>    |
|---------------------------------|--------------------------------------|--------------------------------|
| <b>(Before January 2015)</b>    |                                      |                                |
| Randy Bosch                     | Board of Supervisors                 | December 31, 2014              |
| Steve Michael                   | Board of Supervisors                 | December 31, 2014              |
| Kirk Peters                     | Board of Supervisors                 | December 31, 2014              |
| Mark Behrens                    | Board of Supervisors                 | December 31, 2016              |
| Merle Koedam                    | Board of Supervisors                 | December 31, 2016              |
| Richard Heidloff                | County Treasurer                     | December 31, 2014              |
| Eldon Kruse                     | County Recorder                      | December 31, 2014              |
| Shayne Mayer                    | County Attorney                      | December 31, 2014              |
| Stewart VanderStoep             | County Sheriff                       | December 31, 2016              |
| Jennifer Smit                   | County Auditor                       | December 31, 2016              |
| Fred Christians                 | County Assessor                      | December 31, 2014 (Retired)    |
| Jody Folkens                    | County Health Services Administrator | Indefinite                     |
| Lisa Rockhill                   | County Central Point Coordinator     | Indefinite                     |
| Steve Simons                    | County Economic Development Director | Indefinite                     |
| Craig Van Otterloo              | County Conservation Director         | Indefinite                     |
| Laura Sievers                   | County Engineer                      | Indefinite                     |
| <b>(Beginning January 2015)</b> |                                      |                                |
| Mark Behrens                    | Board of Supervisors                 | December 31, 2016              |
| Merle Koedam                    | Board of Supervisors                 | December 31, 2016              |
| Randy Bosch                     | Board of Supervisors                 | December 31, 2018              |
| Steve Michael                   | Board of Supervisors                 | December 31, 2018              |
| Kirk Peters                     | Board of Supervisors                 | December 31, 2018              |
| Stewart VanderStoep             | County Sheriff                       | December 31, 2016              |
| Jennifer Smit                   | County Auditor                       | December 31, 2016              |
| Russell Hopp                    | County Treasurer                     | December 31, 2018              |
| Eldon Kruse                     | County Recorder                      | December 31, 2018              |
| Shayne Mayer                    | County Attorney                      | December 31, 2018              |
| Marilee Schleusner              | County Assessor                      | December 31, 2021              |
| Jody Folkens                    | County Health Services Administrator | February 14, 2015 (Resigned)   |
| Melissa Stillson                | County Health Services Administrator | Indefinite (Hired May 1, 2015) |
| Lisa Rockhill                   | County Central Point Coordinator     | Indefinite                     |
| Steve Simons                    | County Economic Development Director | Indefinite                     |
| Craig Van Otterloo              | County Conservation Director         | Indefinite                     |
| Laura Sievers                   | County Engineer                      | Indefinite                     |

# **DE NOBLE, AUSTIN & COMPANY PC**

## **Certified Public Accountants**

111 S. Story Street  
Rock Rapids, IA 51246  
www.denoblepc.com

**MEMBERS**  
American Institute - Certified Public Accountants  
Private Companies Practice Section  
Iowa Society - Certified Public Accountants

Phone : (712) 472-2549  
Fax : (712) 472-2540  
Email : cpas@denoblepc.com

### **Independent Auditor's Report**

To the Officials of Lyon County:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County as of June 30, 2015, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of Matter

As discussed in Note 19 to the financial statements, Lyon County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 17 and 61 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyon County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine fiscal years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2016 on our consideration of Lyon County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lyon County's internal control over financial reporting and compliance.

*De Noble & Company PC*

De Noble & Company PC  
d/b/a De Noble, Austin & Company PC  
Certified Public Accountants

February 12, 2016

---

---

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

---

---

Management of Lyon County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **FISCAL YEAR 2015 FINANCIAL HIGHLIGHTS**

- The County's governmental fund revenues for fiscal year 2015 were \$15,801,486 compared to \$13,821,015 in fiscal year 2014, an increase of \$1,980,471, or 14.33%. Property and other county tax for fiscal year 2015 was \$5,881,814, compared to \$5,529,147 in fiscal year 2014, an increase of \$352,667, or 6.00%. Local option sales tax for fiscal year 2015 was \$673,150, compared to \$569,653 in fiscal year 2014, an increase of \$103,497 or 18.17%. Intergovernmental revenues for fiscal year 2015 were \$6,293,401, compared to \$5,045,593 in fiscal year 2014, an increase of \$1,247,808, or 24.73%. Miscellaneous revenues for fiscal year 2015 were \$554,247, compared to \$262,495 in fiscal year 2014, an increase of \$291,752, or 111.15%.
- The County's governmental fund expenditures for fiscal year 2015 were \$15,618,193, compared to \$12,368,131 in fiscal year 2014, an increase of \$3,250,062 or 26.28%. The expenditure function classifications with the largest increases were capital projects, public safety and legal services, and roads and transportation, with increases of \$2,850,633, or 370.97%, \$299,619, or 10.56%, and \$277,427, or 5.82%, respectively. The expenditure function classification with the largest decrease was physical health and social services with a decrease of \$(166,491), or (21.23%).
- The County's total governmental fund balances increased by \$331,058, or 3.89%, from \$8,501,595 to \$8,832,653 during fiscal year 2015. The County's total governmental fund balances increased by \$1,513,322, or 21.66%, from \$6,988,273 to \$8,501,595 during fiscal year 2014.
- Revenues of the County's governmental activities increased by \$2,254,771, or 15.23%. The increase in revenues overall was the result of the following changes during fiscal year 2015 from fiscal year 2014: charges for services increased by \$469,349; operating grants, contributions and restricted interest increased by \$1,649,208; capital grants, contributions and restricted interest decreased by \$(305,133); and general revenues increased by \$441,347.
- Expenses of the County's governmental activities increased by \$1,888,796, or 15.08%. The main areas expenses increased were in the capital projects function, which increased by \$1,350,699, and the roads and transportation function, which increased by \$497,463.
- The County implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated by \$(2,583,650), (\$41,372,789 down to \$38,789,139), to retroactively report the net pension liability as of July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available.

- The County's government-wide change in net position for governmental activities was \$2,647,301 for fiscal year 2015, compared to \$2,281,326 during fiscal year 2014, an increase of \$365,975, or 16.04%.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lyon County as a whole and present an overall view of the County's finances.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lyon County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lyon County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental Special Revenue Funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-Wide Financial Statements*

One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.



The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current activities, interest on long-term debt and minor capital projects. Property tax, other types of taxes, and state and federal grants finance most of these activities

### *Fund Financial Statements*

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of these funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads and County Tax Increment Financing, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for County offices, E911, Emergency Management Services, the County Assessor, and all the tax funds necessary to collect and distribute property taxes to schools, cities, townships and several other taxing authorities, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the County's overall financial position. The analysis that follows focuses on the changes in the net position of governmental activities.

| <b>Net Position of Governmental Activities</b> |                      |                       |                      |
|--|----------------------|-----------------------|----------------------|
|  | <b>June 30, 2015</b> | <b>(Not Restated)</b> | <b>June 30, 2014</b> |
| Current and Other Assets                       | \$ 19,032,988        | \$                    | 17,791,682           |
| Capital Assets                                 | 33,199,208           |                       | 31,726,106           |
| Total Assets                                   | 52,232,196           |                       | 49,517,788           |
| Deferred Outflows of Resources                 | 526,883              |                       | 0                    |
| Other Liabilities                              | 759,891              |                       | 612,611              |
| Long-Term Liabilities                          | 2,620,239            |                       | 1,140,588            |
| Total Liabilities                              | 3,380,130            |                       | 1,753,199            |
| Deferred Inflows of Resources                  | 7,942,509            |                       | 6,391,800            |
| Net Position:                                  |                      |                       |                      |
| Net Investment in Capital Assets               | 32,729,208           |                       | 31,031,106           |
| Restricted                                     | 9,318,826            |                       | 7,084,438            |
| Unrestricted                                   | (611,594)            |                       | 3,257,245            |
| Total Net Position                             | \$ 41,436,440        | \$                    | 41,372,789           |

The increase in "current and other assets" was mainly due to increases in cash, cash equivalents and pooled investments; succeeding year property tax receivables; due from other governments; and inventories. "Other liabilities" increased as a result of the balance due on contracts payable. "Long-term liabilities" increased due to recording of the net pension liability, while "deferred outflows of resources" and "deferred inflows of resources" increased as a result of newly reported pension related items.

The largest portion of the County's net position, 78.99%, is "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt." The debt related to the investment in capital assets is liquidated with resources other than capital assets. "Restricted net position," 22.49% of the County's net position, represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. "Unrestricted net position," the remaining (1.48)% of the County's net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$(3,868,839) compared to the prior fiscal year balance. The large decrease is primarily a result of reporting the net pension liability on June 30, 2015.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$2,583,650 to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date.

| <b>Changes in Net Position of Governmental Activities</b>    |                                     |  |
|--|-------------------------------------|--|
|  | <b>Year Ended<br/>June 30, 2015</b> | <b>(Not Restated)<br/>Year Ended<br/>June 30, 2014</b> |
| Revenues:  |                                     |  |
| Program Revenues:  |                                     |  |
| Charges for Service  | \$ 2,106,933                        | \$ 1,637,584   |
| Operating Grants, Contributions and Restricted Interest      | 5,635,682                           | 3,986,474  |
| Capital Grants, Contributions and Restricted Interest        | 872,478                             | 1,177,611  |
| General Revenues:  |                                     |  |
| Property Tax Levied for:                                     |                                     |  |
| General Purposes   | 5,655,621                           | 5,299,863  |
| Debt Service   | 226,015                             | 229,498  |
| Hotel/Motel Tax  | 144,312                             | 146,098  |
| Local Option Sales Tax                                       | 673,150                             | 569,653  |
| Gambling Taxes   | 519,796                             | 528,672  |
| Tax Increment Financing                                      | 510,716                             | 580,480  |
| Interest and Penalty on Property Tax                         | 24,900                              | 25,110   |
| State Tax Credits  | 293,054                             | 261,818  |
| Grants and Contributions not Restricted to Specific Purposes | 132,882                             | 103,746  |
| Unrestricted Investment Earnings                             | 102,444                             | 99,086   |
| Rents  | 52,434                              | 54,078   |
| Gain on Disposal of Capital Assets                           | 91,208                              | 100,836  |
| Other General Revenues                                       | 21,529                              | 7,776  |
| Total Revenues   | 17,063,154                          | 14,808,383   |
| Program Expenses:  |                                     |  |
| Public Safety and Legal Services                             | 3,184,650                           | 2,985,560  |
| Physical Health and Social Services                          | 579,879                             | 797,309  |
| Mental Health  | 285,990                             | 332,633  |
| County Environment and Education                             | 1,053,591                           | 966,953  |
| Roads and Transportation                                     | 5,549,352                           | 5,051,889  |
| Governmental Services to Residents                           | 481,053                             | 478,133  |
| Administration   | 1,145,374                           | 1,109,945  |
| Non-Program Current  | 70,716                              | 85,632   |
| Interest on Long-Term Debt                                   | 18,208                              | 22,662   |
| Capital Projects   | 2,047,040                           | 696,341  |
| Total Expenses   | 14,415,853                          | 12,527,057   |
| Increase in Net Position                                     | 2,647,301                           | 2,281,326  |
| Net Position Beginning of Year, as Restated                  | 38,789,139                          | 39,091,463   |
| Net Position End of Year                                     | \$ 41,436,440                       | \$ 41,372,789  |

Lyon County decreased the total countywide property tax levy rate by 0.18915 per \$1,000 of valuation and kept the rural property tax levy rate the same. Taxable valuation by levy, actual levy rate per \$1,000 of valuation and total dollars levied are as follows:

|   | <b>Taxes Levied<br/>Fiscal Year 2015</b> | <b>Taxes Levied<br/>Fiscal Year 2014</b> |
|---|--|--|
| Countywide Taxable Valuation (*)                  | \$ 786,892,394                           | \$ 723,916,406                           |
| Countywide Levy Rate Without Debt Service         | 4.84989                                  | 5.03904                                  |
| Dollars Levied Without Debt                       | 3,816,341                                | 3,647,844                                |
| Countywide Taxable Valuation for Debt Service (*) | 829,156,613                              | 768,545,696                              |
| Countywide Debt Service Levy                      | .28308                                   | .30911                                   |
| Dollars Levied for Debt Service                   | 234,718                                  | 237,565                                  |
| Total Countywide Levy Rate                        | 5.13297                                  | 5.34815                                  |
| Total Dollars Levied Countywide                   | 4,051,059                                | 3,885,409                                |
| Rural Taxable Valuation (*)                       | 597,860,618                              | 548,848,003                              |
| Rural Service Tax Levy                            | 3.35451                                  | 3.35451                                  |
| Dollars Levied for Rural Area Only                | 2,005,529                                | 1,841,116                                |
| Total Levy Rate (All Property Taxes)              | 8.48748                                  | 8.70266                                  |
| Total Dollars Levied (All Property Taxes)         | 6,056,588                                | 5,726,525                                |

(\*) Note: Taxable valuation is value without Gas & Electric Utilities

| <b>Taxable Valuation History</b> |   |                                 |                                   |                                    |
|----------------------------------|---|---------------------------------|-----------------------------------|------------------------------------|
| <b>Fiscal Year</b>               | <b>Based on<br/>January 1<sup>st</sup> Values</b> | <b>Countywide<br/>Valuation</b> | <b>Debt Service<br/>Valuation</b> | <b>Rural Service<br/>Valuation</b> |
| FY 2014/2015                     | January 1, 2013                                   | \$ 786,892,394                  | 829,156,613                       | 597,860,618                        |
| FY 2013/2014                     | January 1, 2012                                   | 723,916,406                     | 768,545,696                       | 548,848,003                        |
| FY 2012/2013                     | January 1, 2011                                   | 669,222,781                     | 701,839,818                       | 503,062,190                        |
| FY 2011/2012                     | January 1, 2010                                   | 614,060,919                     | 632,781,735                       | 453,312,849                        |
| FY 2010/2011                     | January 1, 2009                                   | 588,931,440                     | 606,553,674                       | 431,053,746                        |
| FY 2009/2010                     | January 1, 2008                                   | 533,205,168                     | 546,288,981                       | 394,351,034                        |
| FY 2008/2009                     | January 1, 2007                                   | 504,398,243                     | 515,882,898                       | 371,879,575                        |
| FY 2007/2008                     | January 1, 2006                                   | 499,802,094                     | 509,735,486                       | 367,391,981                        |
| FY 2006/2007                     | January 1, 2005                                   | 492,338,833                     | 501,828,733                       | 359,466,942                        |
| FY 2005/2006                     | January 1, 2004                                   | 447,077,945                     | 454,922,084                       | 324,204,340                        |



- Lyon County's fiscal year 2015 countywide taxable valuation (without utilities) increased \$62,975,988, or 8.70%, from fiscal year 2014; the fiscal year 2015 debt service taxable valuation increased \$60,610,917, or 7.89%, from fiscal year 2014; and the fiscal year 2015 rural service valuation increased \$49,012,615 or 8.20%, from fiscal year 2014.
- Taxable value is the property value used for computing property taxes. It is the fully assessed valuation reduced by any applicable tax abatement and statewide rollback factors. Residential, commercial and industrial property is based on fair market value and agricultural property is based on productivity and net earnings capacity value. Each county has an average productivity value. This value is based on a 5-year average of annual Iowa Crop and Livestock Reporting Service census data. The data is updated every odd-numbered year using the past 5 years of data. Iowa Code Section 441.21(1)e states "value of agricultural property shall be determined on the basis of productivity and net earnings capacity.....applied uniformly among counties and among classes of property".
- The amount of the costs financed by users (charges for service) increased by \$469,349, or 28.66%. The increase in this type of revenue was mainly a result of a rise in charges for services generated by the roads and transportation function of \$406,385 and the public safety and legal services function of \$113,749.
- Operating grants, contributions and restricted interest increased by \$1,649,208, or 41.37%. The increase in this type of revenue was primarily a result of a rise in operating grants and contributions generated by the roads and transportation function of \$1,980,253.
- Capital grants, contributions and restricted interest decreased by \$(305,133), or (25.91)%. The decline was the result of the roads and transportation function decreasing by \$(360,207).
- General revenues increased by \$441,347, or 5.51%. Property and other county tax revenues levied for general purposes increased by \$355,758, or 6.71% and local option sales tax increased by \$103,497, or 18.17%.
- Expenses of the County's governmental activities increased by \$1,888,796, or 15.08%. Expenses increased primarily in the capital projects function, which was higher by \$1,350,699, or 193.97%, and the roads and transportation function, which was higher by \$497,463, or 9.85%.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

Lyon County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Lyon County completed fiscal year 2015, its governmental funds reported a combined fund balance of \$8,832,653. This is in comparison to last fiscal year when the combined fund balance was \$8,501,595. This is an increase of \$331,058 from last year, or 3.89%. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

- **GENERAL FUND:** The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses are paid from this fund. The

General Fund ending fund balance was \$2,768,479. This is in comparison to last fiscal year when the fund balance was \$2,524,736. This is an increase of \$243,743 from last year, or 9.65%. For fiscal year 2015, expenditures totaled \$5,341,156 (fiscal year 2014 = \$5,018,812), an increase of \$322,344, or 6.42%; operating transfers out totaled \$499,150 (fiscal year 2014 = \$188,492), an increase of \$310,658, or 164.81%; and revenues totaled \$6,084,049 (fiscal year 2014 = \$5,744,892), an increase of \$339,157, or 5.90%. The General Fund levy for fiscal year 2015 was 3.50000 (fiscal year 2014 = 3.50000); the maximum amount allowed by law is 3.50000. The General Supplemental Fund levy was 1.03778 for fiscal year 2015 and 1.20000 for 2014. The General Supplemental Fund is used when the basic levy is not sufficient to meet the County's needs. Expenditures the board may certify for the General Supplemental Fund are listed in Iowa Code Section 331.424.

- Current property and other tax revenues increased by \$172,877, primarily due to an increase in valuations.
  - Hotel/motel tax collections increased by \$28,976, or 19.32%.
  - Intergovernmental revenues increased by \$81,841, mainly due to an increase in federal and state pass through revenues.
  - The public safety and legal services function increased by \$164,417, mainly as a result of increases for uniform patrol services, law enforcement communications and ambulance services.
  - Capital projects increased by \$234,700, primarily due to the building of two new twelve person cabins at Lake Pahoja.
  - The June 30, 2015 fund balance of \$2,768,479 is comprised of \$36,040 in nonspendable balances (inventories and prepaid expenditures/lease), \$509,817 in restricted balances (supplemental levy purposes, jail improvements/courthouse security and hotel/motel tax purposes) and \$2,222,622 in unassigned balance.
- **MENTAL HEALTH FUND:** The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The Mental Health ending fund balance was \$520,646 at June 30, 2015. This is in comparison to last fiscal year when the ending fund balance was \$500,443. This is an increase of \$20,203 from last year, or 4.04%. For fiscal year 2015, expenditures totaled \$289,881 (fiscal year 2014 = \$331,318), a decrease of \$(41,437), or (14.29)%, and revenues totaled \$310,084 (fiscal year 2014 = \$621,461), a decrease of \$(311,377), or (50.10)%. The mental health property tax levy for fiscal year 2015 was 0.31211 (fiscal year 2014 = 0.33904).
- Due to the regionalization of mental health from Senate File 2315, Lyon County became part of Northwest Iowa Care Connections Mental Health Region as of July 1, 2014. This region contained Lyon, Osceola, O'Brien, Dickinson, Palo Alto and Clay counties. O'Brien County was nominated to be the fiscal agent for the region.
  - Lyon County entered into a 28E Agreement with Osceola County in fiscal year 2004 to share a Central Point Coordinator. The 28E Agreement continued in fiscal year 2015 with Osceola County paying Lyon County 1/3 of the CPC salary including IPERS and FICA.
  - Intergovernmental revenues decreased as Lyon County did not receive any equalization dollars for mental health from the state (due to the new mental health region).
  - General administration expenditures for fiscal year 2015 included \$76,755 for direct administration, \$6,155 for purchased administration and \$206,653 distributed to the regional fiscal agent.

- **RURAL SERVICES FUND:** The Rural Service Fund accounts for property tax and other revenues used to provide services, which are primarily intended to benefit those persons residing in the county outside of incorporated city areas, including secondary road services, but excluding services financed by other statutory funds. The Rural Service ending fund balance was \$1,287,879 at June 30, 2015. This is in comparison to last fiscal year when the ending fund balance was \$1,257,007. This is an increase of \$30,872 from last year, or 2.45 %. For fiscal year 2015, expenditures totaled \$1,133,083 (fiscal year 2014 = \$945,191), an increase over last year of \$187,892, or 19.88%; operating transfers out totaled \$1,878,086 (fiscal year 2014 = \$1,730,509), an increase of \$147,577, or 7.88%; and revenues totaled \$3,042,041 (fiscal year 2014 = \$2,651,203), an increase over last year of \$390,838, or 14.74%. The levy for fiscal year 2015 was 3.35451 (fiscal year 2014 = 3.35451). The maximum allowed by law is 3.95000.
  - Beside property and other county tax dollars collected, local option sales tax and contract law enforcement are the other major revenue sources generated by this fund. Major expenditures in this fund are uniformed law enforcement patrol, libraries support, zoning and environmental/sanitarian.
  - Current property and other county tax revenues increased by \$182,507, mainly due to an increase in valuations. Local option sales tax collections increased by \$103,497.
  - Uniformed patrol services expenditures increased by \$129,628 and capital projects amounted to \$58,292 during fiscal year 2015.
- **SECONDARY ROADS FUND:** The Secondary Roads Fund is used to account for secondary roads construction and maintenance. The Secondary Roads ending fund balance was \$4,315,852 at June 30, 2015. This is in comparison to last fiscal year when the ending fund balance was \$4,349,267. This is a decrease of \$(33,415) from last year, or (.7%). For fiscal year 2015, expenditures totaled \$7,888,919 (fiscal year 2014 = \$5,043,766), an increase from last year of \$2,845,153, or 56.41%; fiscal year 2015 revenues totaled \$5,460,503 (fiscal year 2014 = \$3,760,966), an increase of \$1,699,537, or 45.19%; fiscal year 2015 transfers in totaled \$2,247,236 (fiscal year 2014 = \$1,789,001), an increase of \$458,235, or 25.61%; and fiscal year 2015 sale of capital assets totaled \$147,765 (fiscal year 2014= \$60,438), an increase of \$87,327, or 144.49%.
  - Lyon County experienced a flood in June of 2014. Many roads, culverts, and bridges were compromised. As a result, Lyon County was declared a disaster area by FEMA and also received a Presidential disaster declaration. Revenues increased substantially in fiscal year 2015, primarily due to the amounts of intergovernmental proceeds related to qualifying flood projects. (FEMA grant revenue, Iowa Homeland Security grant revenue and contributions from other governmental entities for infrastructure related repairs/projects).
  - Expenditures in the roads and transportation function increased significantly in fiscal year 2015, mainly due to costs in the following areas: roads and transportation and general roadway construction. Expenditures in the capital projects function increased during the fiscal year, besides the aforementioned infrastructure projects, due to the building of a new secondary road shop in Little Rock.
- **COUNTY TAX INCREMENT FINANCING:** The County Tax Increment Financing Fund is used to account for the collection of tax increment financing revenues within County urban renewal areas, the payment of tax increment financing dollars collected to a couple of qualifying businesses and the payment of infrastructure related costs within Lyon County that are eligible to be paid from a County urban renewal area. The ending fund balance at June 30, 2015 in the County T.I.F. Fund was \$(421,000). This is in comparison with the ending fund balance of

\$(440,000) last fiscal year. This is an increase of \$19,000 during fiscal year 2015. Fiscal year 2015 revenues totaled \$510,716 in tax increment financing collections (\$70,716 for rebate tax increment financing agreements and \$440,000 for eligible County infrastructure costs). Fiscal year 2015 expenditures totaled \$491,716 (\$70,716 for rebates to a couple of businesses in County urban renewal areas and \$421,000 for infrastructure related costs in a County urban renewal area).

- The \$421,000 unassigned deficit fund balance at June 30, 2015 is the result of an interfund loan payable to the Secondary Roads Fund.
- **DEBT SERVICE FUND:** The Debt Service Fund is used to account for property tax and other revenue designed to retire debt. The Debt Service Fund pays for the interest and principal due on the Law Enforcement Center general obligation bonds. The Debt Service Fund ending fund balance was \$4,733 at June 30, 2015. This is in comparison to last fiscal year when the ending fund balance was \$8,269. This is a \$(3,536) decrease from last year, or (42.76%). For fiscal year 2015, expenditures totaled \$243,623 (fiscal year 2014 = \$243,022), an increase from last fiscal year of \$611, or .25%, and revenues totaled \$240,087 (fiscal year 2014 = \$240,495), a decrease from last fiscal year of \$(408), or (.17%). Activity for fiscal year 2015 was as follows: tax collection and credits of \$239,828, interest income of \$259, principal payment on bonds of \$225,000, interest payments of \$18,123, and bond administration fees of \$500.
- **OTHER SPECIAL REVENUE FUNDS:** The other Special Revenue Funds, which include Resource Enhancement and Protection, County Recorder's Records Management, Sheriff's Asset Forfeiture, CS Projects & Conservation Land Acquisition Trust, Well Closing Trust, Economic Development, County Attorney Incentive, and Revolving Loans – Development Projects are classified as non-major Special Revenue Funds.

### **Budgetary Highlights**

In accordance with Iowa Code Section 331.434, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except the County's Internal Service and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of fiscal year 2015, Lyon County amended its budget two times.

The first amendment was adopted November 24, 2014 and resulted in an increase in budgeted receipts of \$37,944 and disbursements of \$2,226,716. Reasons for the increase in receipts included \$5,264 for a HAVA grant (new voting booths) and \$32,680 for a Lyon County Riverboat Foundation grant (sheriff patrol vehicle cameras and computer). Reasons for the increase in disbursements in this amendment were primarily due to Secondary Roads Fund capital projects that amounted to \$1,900,000 as a result of flood damage, as well as \$100,000 to replace tools lost in the flooding. Other amendment disbursements included conservation seal coating at Pahoja for \$22,134, flood damages of \$38,430 and cabin refunds, due to flooding cancellations, of \$1,772; sheriff patrol vehicle cameras and computer for \$32,680; economic development costs for a gas feasibility study in correlation with Rock Rapids, Lester and Larchwood of \$10,000; an additional \$20,700 for the Little Rock Shop construction and \$80,000 for cabins at Lake Pahoja; auditor purchase of voting booths for \$5,500; \$20,500 increase for human resource services; \$7,000 increase for Sanford job function testing; and a \$12,000 decrease for property insurance liability.



The second amendment was adopted on May 26, 2015 and resulted in an increase in budgeted receipts of \$834,772 and disbursements of \$139,322. Reasons for the increase in receipts included \$84,433 for various grants; \$374,639 for FEMA proceeds; insurance proceeds of \$255,000; rebates of \$4,700; and proceeds from capital asset disposals of \$116,000. The reasoning for this amendment in regards to disbursements was the ambulance purchased 3 Stryker systems for \$63,840, but decreased health insurance costs by \$12,620; increased the Lake Pahoja year round cabin budget by \$4,700; conservation paid \$7,436 in flood damage repairs, \$9,300 in cement for permanent spaces at Lake Pahoja, \$40,000 in overrun on year round cabins at Lake Pahoja, but decreased insurance by \$13,945; payments by economic development for Sudenga TIF legal expenses of \$6,100, office supplies of \$600 and \$2,600 for strategic planning activities for ISU career day/retail scapes; various contracts including SHIELD and flex benefits fees of \$6,000 and EMT grant of \$10,415; secondary roads decreased the budget of roadway construction by \$300,000, increased the budget for replacing tools and materials from the flood by \$255,000 and overrun on Little Rock Shop of \$45,000 (secondary roads amendments netted \$0); and sheriff bumped up amendment to include various equipment for \$14,896.

Lyon County budgets on a cash accounting basis. In fiscal year 2015, Lyon County budgeted (after final amendment) \$14,578,994 for receipts, \$16,776,943 for disbursements, \$146,000 for other financing sources, and budgeted an ending cash balance of \$4,064,236. Lyon County actually finished the year with receipts of \$15,441,025 (\$862,031 over budget), disbursements of \$15,521,697 (\$1,255,246 under budget), other financing sources of \$146,445 (\$445 over budget), and an ending cash balance of \$7,129,018 (\$3,064,782 over budget).

### Capital Assets

Lyon County concluded fiscal year 2015 with \$47,546,138 invested in a broad range of capital assets, including recreational land and park equipment, public safety equipment, buildings, machinery, vehicles, roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the Financial Statements.

| <b>Capital Assets of Governmental Activities at Year End</b> |                      |                      |
|--|----------------------|----------------------|
|  | <b>June 30, 2015</b> | <b>June 30, 2014</b> |
| Land   | \$ 2,003,654         | \$ 2,039,604         |
| Buildings & Improvements                                     | 8,178,920            | 7,537,243            |
| Machinery, Equipment & Vehicles                              | 10,705,334           | 10,472,246           |
| Infrastructure   | 25,947,846           | 23,700,660           |
| Construction in Progress                                     | 710,384              | 1,145,553            |
| Total  | <u>\$ 47,546,138</u> | <u>\$ 44,895,306</u> |

This year's major asset additions included:

**Sheriff:**

In-Car Cameral Equipment: \$29,680  
SRT Equipment: \$17,396

**Conservation:**

Permanent Camp Sites: \$63,103  
2014 Ford F150: \$30,755  
Sunset Lodge Cabin & Furnishings: \$137,349  
Sunrise Lodge Cabin & Furnishings: \$137,349

**Ambulance:**

Stryker Power Load: \$22,290  
Stryker Power Load: \$27,398  
Stryker Power Cot: \$16,990

**Secondary Roads:**

Inwood Salt Shed Cement Walls: \$28,450  
Little Rock Shop Building: \$405,851  
2006 Sterling #1507: \$22,148  
26" Yanmar Diesel Saw RR #1001: \$22,400

**Secondary Roads:**

2014 Bomag Roller #1388: \$36,250  
2014 JD 772G Grader: \$285,025  
Galion-Godwin DumpBox: \$37,763  
Henke Heavy Duty DumpBox: \$17,222  
2015 Freightliner #4687: \$111,342  
L-Culvert Doon: \$56,510  
L-Culvert Logan: \$82,952  
L-Culvert Dale: \$58,549  
2014 Int'l Single Ax Truck: \$28,000  
CAT Pull Type Air Compressor: \$19,195  
Helac PT10 Powertilt Coupler: \$10,400  
Division 1 Culvert Replacement: \$109,397  
Division 2 Culvert Replacement: \$91,470  
Division 3 Culvert Replacement: \$86,686  
Division 4 Culvert Replacement: \$111,621  
Division 5 Culvert Replacement: \$126,596  
2016 Freightliner Truck #6309: \$114,289  
LR Salt Shed Concrete: \$14,975  
K40 MN Asphalt Overlay: \$1,017,832  
Big Sioux Bridge Deck Overlay: \$271,845  
Jay Ave. Bridge Replacement: \$233,728

The County had depreciation expense of \$1,656,207 in fiscal year 2015 and total accumulated depreciation of \$14,346,930 as of June 30, 2015.

**Long-Term Debt**

Lyon County issued \$1,540,000 in General Obligation Refunding Bonds, Series 2011A dated March 15, 2010 with the interest rate at 2% - 2.95%. Final principal payment will be due June 1, 2017. The paying agent is Bankers Trust of Des Moines. On June 30, 2015, Lyon County's outstanding debt for general obligation bonds was \$470,000; compared to \$695,000 on June 30, 2014.

| <b><u>Outstanding Long-Term Debt of Governmental Activities at Year-End</u></b> |                             |                             |
|---|-----------------------------|-----------------------------|
|   | <b><u>June 30, 2015</u></b> | <b><u>June 30, 2014</u></b> |
| Net OPEB Liability  | \$ 147,464                  | \$ 106,870                  |
| Net Pension Liability   | 1,682,075                   | 2,987,099                   |
| Compensated Absences  | 320,700                     | 338,718                     |
| General Obligation Bonds  | 470,000                     | 695,000                     |
| Total   | <u>\$ 2,620,239</u>         | <u>\$ 4,127,687</u>         |

The Constitution of the State of Iowa limits the amount of general obligation debt (as determined by State of Iowa regulations) counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits (this figure is 100% valuation less military exemptions). Lyon County's outstanding general obligation debt at June 30, 2015 of \$2,756,355 (general obligation bonds of \$470,000, interfund TIF debt of \$421,000 and rebate TIFs – not subject to annual appropriation – of

\$1,865,355) is significantly below its constitutional debt limit of approximately \$81 million. Additional information about the County's long-term debt is presented in Note 7 to the Financial Statements.

### **Economic Factors**

Lyon County's elected and appointed officials/department heads considered many factors when setting the fiscal year 2016 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in Lyon County in December 2014 was at 2.4%; while the unemployment rate for the State of Iowa in December 2014 was at 4.1%. Another significant factor is property taxable valuations. The valuations for fiscal year 2015/2016, excluding gas and electric utility valuations, were as follows: countywide valuation = \$811,934,995 (increase of \$25,042,601 from FY 2014/2015); debt service valuation = \$849,539,341 (increase of \$20,382,728 from FY 2014/2015); and rural service valuation = \$619,415,400 (increase of \$21,554,782 from FY 2014/2015).

### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lyon County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Jennifer Smit  
Lyon County Auditor  
206 South 2<sup>nd</sup> Avenue  
Rock Rapids, Iowa

jsmit@co.lyon.ia.us  
(712) 472-8517

#### Lyon County Board of Supervisors:

|               |             |                              |
|---------------|-------------|------------------------------|
| Steve Michael | District #1 | Term: 1-1-2015 to 12-31-2018 |
| Merle Koedam  | District #2 | Term: 1-1-2013 to 12-31-2016 |
| Mark Behrens  | District #3 | Term: 1-1-2013 to 12-31-2016 |
| Randy Bosch   | District #4 | Term: 1-1-2015 to 12-31-2018 |
| Kirk Peters   | District #5 | Term: 1-1-2015 to 12-31-2018 |

Sources:      Unemployment: <http://www.iowaworkforce.org>   <http://iwin.iwd.state.ia.us>  
State Auditor's Office: <http://auditor.iowa.gov>

**Lyon County**

**Basic Financial Statements**



## Lyon County

## Statement of Net Position

June 30, 2015

---

**Governmental  
Activities**


---

**Assets**

|  |                   |
|--|-------------------|
| Cash, Cash Equivalents and Pooled Investments    | \$ 8,971,937      |
| Receivables:                                     |                   |
| Property Tax:                                    |                   |
| Delinquent                                       | 706               |
| Succeeding Year                                  | 6,296,164         |
| Tax Increment Financing:                         |                   |
| Succeeding Year                                  | 487,070           |
| Interest and Penalty on Property Tax             | 355               |
| Accounts   | 293,619           |
| Accrued Interest                                 | 2,475             |
| Due from Agency Funds                            | 74,891            |
| Due from Other Governments                       | 1,597,620         |
| Inventories                                      | 1,224,309         |
| Prepaid Expenses                                 | 33,049            |
| Prepaid Lease                                    | 50,793            |
| Capital Assets (Net of Accumulated Depreciation) | 33,199,208        |
| <b>Total Assets</b>                              | <b>52,232,196</b> |

**Deferred Outflows of Resources**

|                                   |         |
|-----------------------------------|---------|
| Pension Related Deferred Outflows | 526,883 |
|-----------------------------------|---------|

**Liabilities**

|                               |         |
|-------------------------------|---------|
| Accounts Payable              | 443,839 |
| Contracts Payable             | 197,463 |
| Salaries and Benefits Payable | 63,241  |
| Compensated Absences          | 18,929  |
| Due to Other Governments      | 35,049  |
| Accrued Interest Payable      | 1,070   |
| Advance from Renter           | 300     |

## Lyon County

## Statement of Net Position

June 30, 2015

**Liabilities (Continued)**

## Long-Term Liabilities:

## Portion Due or Payable Within One Year:

|                          |         |
|--------------------------|---------|
| General Obligation Bonds | 230,000 |
| Compensated Absences     | 254,575 |

## Portion Due or Payable After One Year:

|                          |           |
|--------------------------|-----------|
| General Obligation Bonds | 240,000   |
| Compensated Absences     | 66,125    |
| Net Pension Liability    | 1,682,075 |
| Net OPEB Liability       | 147,464   |

**Total Liabilities**

3,380,130

**Deferred Inflows of Resources**

|   |           |
|---|-----------|
| Unavailable Property Tax Revenue            | 6,296,164 |
| Unavailable Tax Increment Financing Revenue | 487,070   |
| Pension Related Deferred Inflows            | 1,159,275 |

**Total Deferred Inflows of Resources**

7,942,509

**Net Position**

|                                       |            |
|---------------------------------------|------------|
| Net Investment in Capital Assets      | 32,729,208 |
| Restricted for:                       |            |
| Supplemental Levy Purposes            | 367,866    |
| Jail Improvements/Courthouse Security | 130,191    |
| Hotel/Motel Tax Purposes              | 69,693     |
| Mental Health Purposes                | 516,029    |
| Rural Services Purposes               | 1,232,189  |
| Secondary Roads Purposes              | 4,976,243  |
| Debt Service                          | 3,665      |
| Other Purposes                        | 2,022,950  |
| Unrestricted                          | (611,594)  |

**Total Net Position**

\$ 41,436,440

See Notes to Financial Statements.

**Lyon County**  
**Statement of Activities**  
**Year Ended June 30, 2015**

|   | Program Revenues     |                        |   |   | Net (Expense)<br>Revenue<br>& Changes<br>in Net Position |
|---|----------------------|------------------------|---|---|--|
|   | Expenses             | Charges for<br>Service | Operating<br>Grants,<br>Contributions<br>and Restricted<br>Interest | Capital<br>Grants,<br>Contributions<br>and Restricted<br>Interest |  |
| <b>Functions/Programs:</b>                                  |                      |                        |   |   |  |
| <b>Governmental Activities:</b>                             |                      |                        |   |   |  |
| Public Safety and Legal Services                            | \$ 3,184,650         | 705,121                | 116,916   | 55,074  | (2,307,539)  |
| Physical Health and Social Services                         | 579,879              | 214,200                | 155,303   | 0   | (210,376)  |
| Mental Health   | 285,990              | 57,668                 | 2,180   | 0   | (226,142)  |
| County Environment and Education                            | 1,053,591            | 286,475                | 50,009  | 0   | (717,107)  |
| Roads and Transportation                                    | 5,549,352            | 578,722                | 5,311,237   | 817,404   | 1,158,011  |
| Governmental Services to Residents                          | 481,053              | 261,060                | 37  | 0   | (219,956)  |
| Administration  | 1,145,374            | 3,687                  | 0   | 0   | (1,141,687)  |
| Non-Program Current   | 70,716               | 0                      | 0   | 0   | (70,716)   |
| Interest on Long-Term Debt                                  | 18,208               | 0                      | 0   | 0   | (18,208)   |
| Capital Projects  | 2,047,040            | 0                      | 0   | 0   | (2,047,040)  |
| <b>Total</b>  | <b>\$ 14,415,853</b> | <b>2,106,933</b>       | <b>5,635,682</b>  | <b>872,478</b>  | <b>(5,800,760)</b>                                       |
| <b>General Revenues:</b>                                    |                      |                        |   |   |  |
| Property and Other County Tax Levied for:                   |                      |                        |   |   |  |
| General Purposes  |                      |                        |   |   | 5,655,621  |
| Debt Service  |                      |                        |   |   | 226,015  |
| Local Option Sales Tax                                      |                      |                        |   |   | 673,150  |
| Hotel/Motel Tax   |                      |                        |   |   | 144,312  |
| Gambling Taxes  |                      |                        |   |   | 519,796  |
| Tax Increment Financing                                     |                      |                        |   |   | 510,716  |
| Penalty and Interest on Property Tax                        |                      |                        |   |   | 24,900   |
| State Tax Credits   |                      |                        |   |   | 293,054  |
| Grants and Contributions Not Restricted to Specific Purpose |                      |                        |   |   | 132,882  |
| Unrestricted Investment Earnings                            |                      |                        |   |   | 102,444  |
| Rents   |                      |                        |   |   | 52,434   |
| Gain on Disposal of Capital Assets                          |                      |                        |   |   | 91,208   |
| Miscellaneous   |                      |                        |   |   | 21,529   |
| <b>Total General Revenues</b>                               |                      |                        |   |   | <b>8,448,061</b>   |
| <b>Change in Net Position</b>                               |                      |                        |   |   | <b>2,647,301</b>   |
| <b>Net Position Beginning of Year, as Restated</b>          |                      |                        |   |   | <b>38,789,139</b>  |
| <b>Net Position End of Year</b>                             |                      |                        |   |   | <b>\$ 41,436,440</b>                                     |

See Notes to Financial Statements.

**Lyon County**  
**Balance Sheet**  
**Governmental Funds**

**June 30, 2015**

|   | Special Revenue     |                |                  |                  |                     | County Tax |  | Debt Service   | Nonmajor Special Revenue | Total             |
|---|---------------------|----------------|------------------|------------------|---------------------|------------|--|----------------|--------------------------|-------------------|
|   | General             | Mental Health  | Rural Services   | Secondary Roads  | Increment Financing |            |  |                |                          |                   |
| <b>Assets</b>   |                     |                |                  |                  |                     |            |  |                |                          |                   |
| Cash, Cash Equivalents and Pooled Investments                       | \$ 2,658,339        | 520,483        | 1,245,999        | 2,344,014        | 0                   |            |  | 4,712          | 355,471                  | 7,129,018         |
| Receivables:  |                     |                |                  |                  |                     |            |  |                |                          |                   |
| Property Tax:   |                     |                |                  |                  |                     |            |  |                |                          |                   |
| Delinquent  | 378                 | 25             | 280              | 0                | 0                   |            |  | 23             | 0                        | 706               |
| Succeeding Year   | 3,478,936           | 233,596        | 2,357,579        | 0                | 0                   |            |  | 226,053        | 0                        | 6,296,164         |
| Tax Increment Financing:  |                     |                |                  |                  |                     |            |  |                |                          |                   |
| Succeeding Year   | 0                   | 0              | 0                | 0                | 0                   |            |  | 0              | 0                        | 487,070           |
| Interest and Penalty on Property Tax                                | 355                 | 0              | 0                | 0                | 0                   |            |  | 0              | 0                        | 355               |
| Accounts  | 259,530             | 0              | 604              | 26,682           | 0                   |            |  | 0              | 3,146                    | 289,962           |
| Accrued Interest  | 2,475               | 0              | 0                | 0                | 0                   |            |  | 0              | 0                        | 2,475             |
| Due from Other Governmental Funds                                   | 0                   | 0              | 0                | 421,731          | 0                   |            |  | 0              | 0                        | 421,731           |
| Due from Agency Funds   | 70,972              | 0              | 0                | 3,000            | 0                   |            |  | 0              | 919                      | 74,891            |
| Due from Other Governments  | 94,986              | 7,267          | 123,322          | 1,371,660        | 0                   |            |  | 0              | 385                      | 1,597,620         |
| Inventories   | 6,205               | 49             | 341              | 1,217,714        | 0                   |            |  | 0              | 0                        | 1,224,309         |
| Prepaid Expenditures  | 29,835              | 125            | 196              | 1,453            | 0                   |            |  | 0              | 0                        | 31,609            |
| Prepaid Lease   | 0                   | 0              | 0                | 50,793           | 0                   |            |  | 0              | 0                        | 50,793            |
| <b>Total Assets</b>   | <b>\$ 6,602,011</b> | <b>761,545</b> | <b>3,728,321</b> | <b>5,437,047</b> | <b>487,070</b>      |            |  | <b>230,788</b> | <b>359,921</b>           | <b>17,606,703</b> |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b> |                     |                |                  |                  |                     |            |  |                |                          |                   |
| <b>Liabilities:</b>   |                     |                |                  |                  |                     |            |  |                |                          |                   |
| Accounts Payable  | \$ 58,371           | 34             | 3,880            | 209,471          | 0                   |            |  | 0              | 3,804                    | 275,560           |
| Contracts Payable   | 67,719              | 0              | 58,292           | 71,452           | 0                   |            |  | 0              | 0                        | 197,463           |
| Salaries and Benefits Payable                                       | 27,073              | 0              | 981              | 35,187           | 0                   |            |  | 0              | 0                        | 63,241            |
| Compensated Absences  | 0                   | 0              | 18,929           | 0                | 0                   |            |  | 0              | 0                        | 18,929            |
| Due to Other Governmental Funds                                     | 0                   | 0              | 731              | 0                | 421,000             |            |  | 0              | 0                        | 421,731           |
| Due to Other Governments  | 19,554              | 7,267          | 50               | 346              | 0                   |            |  | 0              | 53                       | 27,270            |
| Advance from Renter   | 300                 | 0              | 0                | 0                | 0                   |            |  | 0              | 0                        | 300               |
| <b>Total Liabilities</b>  | <b>173,017</b>      | <b>7,301</b>   | <b>82,863</b>    | <b>316,456</b>   | <b>421,000</b>      |            |  | <b>0</b>       | <b>3,857</b>             | <b>1,004,494</b>  |

**Deferred Inflows of Resources:**

Unavailable Revenues:

|  |                  |                |                  |                |                |                |          |                  |
|--|------------------|----------------|------------------|----------------|----------------|----------------|----------|------------------|
| Succeeding Year Property Tax               | 3,478,936        | 233,596        | 2,357,579        | 0              | 0              | 226,053        | 0        | 6,296,164        |
| Succeeding Year Tax Increment Financing    | 0                | 0              | 0                | 0              | 487,070        | 0              | 0        | 487,070          |
| Other                                      | 181,579          | 2              | 0                | 804,739        | 0              | 2              | 0        | 986,322          |
| <b>Total Deferred Inflows of Resources</b> | <b>3,660,515</b> | <b>233,598</b> | <b>2,357,579</b> | <b>804,739</b> | <b>487,070</b> | <b>226,055</b> | <b>0</b> | <b>7,769,556</b> |

|                                       | Special Revenue  |                |                  |                  |                     | County Tax   |                 |                  | Nonmajor |  |
|---------------------------------------|------------------|----------------|------------------|------------------|---------------------|--------------|-----------------|------------------|----------|--|
|                                       | General          | Mental Health  | Rural Services   | Secondary Roads  | Increment Financing | Debt Service | Special Revenue | Total            |          |  |
| <b>Fund Balances:</b>                 |                  |                |                  |                  |                     |              |                 |                  |          |  |
| Nonspendable:                         |                  |                |                  |                  |                     |              |                 |                  |          |  |
| Inventories                           | 6,205            | 49             | 341              | 1,217,714        | 0                   | 0            | 0               | 1,224,309        | 0        |  |
| Prepaid Expenditures/Lease            | 29,835           | 125            | 196              | 52,246           | 0                   | 0            | 0               | 82,402           | 0        |  |
| Restricted For:                       |                  |                |                  |                  |                     |              |                 |                  |          |  |
| Supplemental Levy Purposes            | 367,486          | 0              | 0                | 0                | 0                   | 0            | 0               | 367,486          | 0        |  |
| Jail Improvements/Courthouse Security | 72,163           | 0              | 0                | 0                | 0                   | 0            | 0               | 72,163           | 0        |  |
| Hotel/Motel Tax Purposes              | 69,693           | 0              | 0                | 0                | 0                   | 0            | 0               | 69,693           | 0        |  |
| Mental Health Purposes                | 0                | 520,472        | 0                | 0                | 0                   | 0            | 0               | 520,472          | 0        |  |
| Rural Services Purposes               | 0                | 0              | 1,287,342        | 0                | 0                   | 0            | 0               | 1,287,342        | 0        |  |
| Secondary Roads Purposes              | 0                | 0              | 0                | 3,045,892        | 0                   | 0            | 0               | 3,045,892        | 0        |  |
| Debt Service                          | 0                | 0              | 0                | 0                | 0                   | 4,733        | 0               | 4,733            | 0        |  |
| Other Purposes                        | 475              | 0              | 0                | 0                | 0                   | 0            | 139,930         | 140,405          | 0        |  |
| Committed For:                        |                  |                |                  |                  |                     |              |                 |                  |          |  |
| Conservation Purposes                 | 0                | 0              | 0                | 0                | 0                   | 0            | 58,222          | 58,222           | 0        |  |
| Economic Development Purposes         | 0                | 0              | 0                | 0                | 0                   | 0            | 157,912         | 157,912          | 0        |  |
| Unassigned                            | 2,222,622        | 0              | 0                | 0                | (421,000)           | 0            | 0               | 1,801,622        | 0        |  |
| <b>Total Fund Balances</b>            | <b>2,768,479</b> | <b>520,646</b> | <b>1,287,879</b> | <b>4,315,852</b> | <b>(421,000)</b>    | <b>4,733</b> | <b>356,064</b>  | <b>8,832,653</b> |          |  |

**Total Liabilities, Deferred Inflows of Resources and Fund Balances**

|              |            |              |              |            |            |            |               |
|--------------|------------|--------------|--------------|------------|------------|------------|---------------|
| \$ 6,602,011 | \$ 761,545 | \$ 3,728,321 | \$ 5,437,047 | \$ 487,070 | \$ 230,788 | \$ 359,921 | \$ 17,606,703 |
|--------------|------------|--------------|--------------|------------|------------|------------|---------------|

See Notes to Financial Statements.

## Lyon County

**Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Position**

**June 30, 2015**

**Total Governmental Fund Balances (Pages 24-25)** **\$ 8,832,653**

*Amounts reported for governmental activities in the Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$47,546,138 and the accumulated depreciation is \$14,346,930. 33,199,208

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 986,322

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. 1,671,958

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

|                                |             |           |
|--------------------------------|-------------|-----------|
| Deferred outflows of resources | \$ 526,883  |           |
| Deferred inflows of resources  | (1,159,275) | (632,392) |

Long-term liabilities, including the accrued interest payable, general obligation bonds payable, certain compensated absences payable, net pension liability and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (2,621,309)

**Net Position of Governmental Activities (Pages 20-21)** **\$ 41,436,440**

See Notes to Financial Statements.

Lyon County

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2015

|                                      | Special Revenue |               |                |                 |                     | County Tax   |                 | Nonmajor   |  | Total |
|--------------------------------------|-----------------|---------------|----------------|-----------------|---------------------|--------------|-----------------|------------|--|-------|
|                                      | General         | Mental Health | Rural Services | Secondary Roads | Increment Financing | Debt Service | Special Revenue |            |  |       |
| Revenues:                            |                 |               |                |                 |                     |              |                 |            |  |       |
| Property and Other County Tax        | \$ 3,457,512    | 237,458       | 1,960,824      | 0               | 0                   | 226,020      | 0               | 5,881,814  |  |       |
| Local Option Sales Tax               | 0               | 0             | 673,150        | 0               | 0                   | 0            | 0               | 673,150    |  |       |
| Hotel/Motel Tax                      | 178,983         | 0             | 0              | 0               | 0                   | 0            | 0               | 178,983    |  |       |
| Gambling Taxes                       | 519,796         | 0             | 0              | 0               | 0                   | 0            | 0               | 519,796    |  |       |
| Tax Increment Financing              | 0               | 0             | 0              | 0               | 508,960             | 0            | 0               | 508,960    |  |       |
| Interest and Penalty on Property Tax | 24,920          | 0             | 0              | 0               | 0                   | 0            | 0               | 24,920     |  |       |
| Intergovernmental                    | 707,036         | 69,035        | 385,621        | 5,102,890       | 1,756               | 13,808       | 13,255          | 6,293,401  |  |       |
| Licenses and Permits                 | 39,336          | 0             | 19,595         | 7,890           | 0                   | 0            | 0               | 66,821     |  |       |
| Charges for Service                  | 835,846         | 1,606         | 470            | 3,138           | 0                   | 0            | 108,822         | 949,882    |  |       |
| Use of Money and Property            | 148,049         | 0             | 0              | 900             | 0                   | 259          | 304             | 149,512    |  |       |
| Miscellaneous                        | 172,571         | 1,985         | 2,381          | 345,685         | 0                   | 0            | 31,625          | 554,247    |  |       |
| Total Revenues                       | 6,084,049       | 310,084       | 3,042,041      | 5,460,503       | 510,716             | 240,087      | 154,006         | 15,801,486 |  |       |
| Expenditures:                        |                 |               |                |                 |                     |              |                 |            |  |       |
| Operating:                           |                 |               |                |                 |                     |              |                 |            |  |       |
| Public Safety and Legal Services     | 2,175,571       | 0             | 946,102        | 0               | 0                   | 0            | 16,058          | 3,137,731  |  |       |
| Physical Health and Social Services  | 590,946         | 0             | 26,984         | 0               | 0                   | 0            | 0               | 617,930    |  |       |
| Mental Health                        | 165             | 289,881       | 0              | 0               | 0                   | 0            | 0               | 290,046    |  |       |
| County Environment and Education     | 733,328         | 0             | 97,969         | 0               | 0                   | 0            | 146,226         | 977,523    |  |       |
| Roads and Transportation             | 0               | 0             | 0              | 5,047,765       | 0                   | 0            | 0               | 5,047,765  |  |       |
| Governmental Services to Residents   | 474,100         | 0             | 1,736          | 0               | 0                   | 0            | 3,625           | 479,461    |  |       |
| Administration                       | 1,132,346       | 0             | 2,000          | 0               | 0                   | 0            | 0               | 1,134,346  |  |       |
| Non-Program Current                  | 0               | 0             | 0              | 0               | 70,716              | 0            | 0               | 70,716     |  |       |
| Debt Service                         | 0               | 0             | 0              | 0               | 0                   | 243,623      | 0               | 243,623    |  |       |
| Capital Projects                     | 234,700         | 0             | 58,292         | 2,841,154       | 421,000             | 0            | 63,906          | 3,619,052  |  |       |
| Total Expenditures                   | 5,341,156       | 289,881       | 1,133,083      | 7,888,919       | 491,716             | 243,623      | 229,815         | 15,618,193 |  |       |



|  |                     |                |                    |                  |                  |              |                |                  |
|--|---------------------|----------------|--------------------|------------------|------------------|--------------|----------------|------------------|
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | 742,893             | 20,203         | 1,908,958          | (2,428,416)      | 19,000           | (3,536)      | (75,809)       | 183,293          |
| <b>Other Financing Sources (Uses):</b>                               |                     |                |                    |                  |                  |              |                |                  |
| Sale of Capital Assets   | 0                   | 0              | 0                  | 147,765          | 0                | 0            | 0              | 147,765          |
| Operating Transfers In   | 0                   | 0              | 0                  | 2,247,236        | 0                | 0            | 130,000        | 2,377,236        |
| Operating Transfers Out  | (499,150)           | 0              | (1,878,086)        | 0                | 0                | 0            | 0              | (2,377,236)      |
| <b>Total Other Financing Sources (Uses)</b>                          | <b>(499,150)</b>    | <b>0</b>       | <b>(1,878,086)</b> | <b>2,395,001</b> | <b>0</b>         | <b>0</b>     | <b>130,000</b> | <b>147,765</b>   |
| <b>Change in Fund Balances</b>                                       | 243,743             | 20,203         | 30,872             | (33,415)         | 19,000           | (3,536)      | 54,191         | 331,058          |
| <b>Fund Balances Beginning of Year</b>                               | 2,524,736           | 500,443        | 1,257,007          | 4,349,267        | (440,000)        | 8,269        | 301,873        | 8,501,595        |
| <b>Fund Balances End of Year</b>                                     | <b>\$ 2,768,479</b> | <b>520,646</b> | <b>1,287,879</b>   | <b>4,315,852</b> | <b>(421,000)</b> | <b>4,733</b> | <b>356,064</b> | <b>8,832,653</b> |

See Notes to Financial Statements.

## Lyon County

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement of Activities**

**Year Ended June 30, 2015**

**Change in Fund Balances - Total Governmental Funds (Pages 28-29)**

\$ 331,058

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

|   |                    |           |
|---|--------------------|-----------|
| Expenditures for capital assets                                     | \$2,604,921        |           |
| Capital assets contributed by the Iowa Department of Transportation | 796,216            |           |
| Depreciation expense  | <u>(1,656,207)</u> | 1,744,930 |

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported, whereas the governmental funds report the proceeds from the disposition of capital assets as an increase in financial resources (the basis of the capital assets disposed does not affect the governmental funds).

(271,828)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

|              |                |         |
|--------------|----------------|---------|
| Property tax | (178)          |         |
| Other        | <u>356,793</u> | 356,615 |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments were as follows:

|        |         |
|--------|---------|
| Repaid | 225,000 |
|--------|---------|

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

414,862

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

|                               |            |           |
|-------------------------------|------------|-----------|
| Compensated absences          | 18,018     |           |
| Other postemployment benefits | (40,594)   |           |
| Pension expense               | (145,679)  |           |
| Interest on long-term debt    | <u>416</u> | (167,839) |

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's employee health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

14,503

**Change in Net Position of Governmental Activities (Page 23)**\$ 2,647,301

See Notes to Financial Statements.

**Lyon County**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2015**

|                                  | <u>Internal Service -<br/>Employee<br/>Group<br/>Health</u> |
|----------------------------------|---|
| <b>Assets</b>                    |   |
| <b>Current Assets:</b>           |   |
| Cash and Cash Equivalents        | \$ 1,842,919  |
| Accounts Receivable              | 3,657   |
| Prepaid Expenses                 | <u>1,440</u>  |
| <b>Total Current Assets</b>      | <u>1,848,016</u>  |
| <b>Liabilities</b>               |   |
| <b>Current Liabilities:</b>      |   |
| Accounts Payable                 | 168,279   |
| Due to Other Governments         | <u>7,779</u>  |
| <b>Total Current Liabilities</b> | <u>176,058</u>  |
| <b>Net Position</b>              |   |
| Unrestricted                     | <u><u>\$ 1,671,958</u></u>                                  |

See Notes to Financial Statements.

## Lyon County

**Statement of Revenues, Expenses and Changes  
in Fund Net Position  
Proprietary Fund**

**Year Ended June 30, 2015**

|  |    | <b>Internal Service -<br/>Employee<br/>Group<br/>Health</b> |
|--|----|---|
| <b>Operating Revenues:</b>                 |    |   |
| Reimbursements from Governmental Funds     | \$ | 1,156,282   |
| Reimbursements from Agency Fund (Assessor) |    | 49,084  |
| Reimbursements from Current Employees      |    | 131,024   |
| Reimbursements from Others                 |    | 18,900  |
| Insurance Reimbursements/Pharmacy Rebates  |    | 77,548  |
| Miscellaneous Refund on Claim              |    | 4,001   |
| <b>Total Operating Revenues</b>            |    | <b>1,436,839</b>  |
| <b>Operating Expenses:</b>                 |    |   |
| Medical Claims                             | \$ | 1,024,868   |
| Insurance Premiums                         |    | 345,108   |
| Administrative Fees                        |    | 26,401  |
| Reinsurance Assessment                     |    | 5,755   |
| Transitional Fee                           |    | 18,265  |
| HR Service/Compliance Fee                  |    | 15,964  |
| Miscellaneous Fees                         |    | 3,602   |
| <b>Total Operating Expenses</b>            |    | <b>1,439,963</b>  |
| <b>Operating Loss</b>                      |    | <b>(3,124)</b>  |
| <b>Non-Operating Revenues:</b>             |    |   |
| Interest Income                            |    | 17,627  |
| <b>Net Income</b>                          |    | <b>14,503</b>   |
| <b>Net Position Beginning of Year</b>      |    | <b>1,657,455</b>  |
| <b>Net Position End of Year</b>            | \$ | <b>1,671,958</b>  |

See Notes to Financial Statements.

Lyon County

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2015

|   | <b>Internal Service -<br/>Employee<br/>Group<br/>Health</b> |
|---|---|
| <b>Cash Flows from Operating Activities:</b>  |   |
| Cash Received from Governmental Funds Reimbursements                                      | \$ 1,156,282  |
| Cash Received from Agency Fund Reimbursements   | 49,084  |
| Cash Received from Employees and Others   | 149,924   |
| Cash Received from Insurance Reimb./Pharmacy Rebates                                      | 293,841   |
| Cash Received from Miscellaneous Refund on Claim  | 4,001   |
| Cash Paid to Suppliers for Services/Charges   | (1,472,663)   |
| <b>Net Cash from Operating Activities</b>   | <b>180,469</b>  |
| <b>Cash Flows from Investing Activities:</b>  |   |
| Interest on Investments   | 17,627  |
| <b>Net Increase in Cash and Cash Equivalents</b>  | <b>198,096</b>  |
| <b>Cash and Cash Equivalents Beginning of Year</b>  | <b>1,644,823</b>  |
| <b>Cash and Cash Equivalents End of Year</b>  | <b>\$ 1,842,919</b>   |
| <b>Reconciliation of Operating Loss to Net Cash<br/>Provided by Operating Activities:</b> |   |
| Operating Loss  | \$ (3,124)  |
| Adjustments to Reconcile Operating Loss to Net Cash<br>Provided by Operating Activities:  |   |
| Decrease in Accounts Receivable   | 216,293   |
| (Increase) in Prepaid Expenses  | (1,440)   |
| (Decrease) in Accounts Payable  | (38,799)  |
| Increase in Due to Other Governments  | 7,539   |
| <b>Net Cash Provided by Operating Activities</b>  | <b>\$ 180,469</b>   |

See Notes to Financial Statements.

## Lyon County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2015

## Assets

|  |                   |
|--|-------------------|
| Cash, Cash Equivalents and Pooled Investments: |                   |
| County Treasurer                               | \$ 969,666        |
| Other County Officials                         | 90,872            |
| Flex Spending Plan                             | 2,636             |
| Receivables:                                   |                   |
| Property Tax:                                  |                   |
| Delinquent                                     | 1,365             |
| Succeeding Year                                | 13,204,558        |
| Tax Increment Financing:                       |                   |
| Succeeding Year                                | 362,942           |
| Accounts                                       | 14,736            |
| Due from Other Agency Fund                     | 354               |
| Due from Other Governments                     | 64,184            |
| Inventories                                    | 1,528             |
| Prepaid Expenses                               | 18,627            |
| <b>Total Assets</b>                            | <b>14,731,468</b> |

## Liabilities

|                                    |                   |
|------------------------------------|-------------------|
| Accounts Payable                   | 24,357            |
| Due to County's Governmental Funds | 74,891            |
| Due to Other Agency Fund           | 354               |
| Due to Other Governments           | 14,491,921        |
| Trusts Payable                     | 129,398           |
| Compensated Absences               | 10,547            |
| <b>Total Liabilities</b>           | <b>14,731,468</b> |

## Net Position

|    |   |
|----|---|
| \$ | 0 |
|----|---|

See Notes to Financial Statements.

## **Lyon County**

### **Notes to Financial Statements**

**June 30, 2015**

#### **(1) Summary of Significant Accounting Policies**

Lyon County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. Appointed/hired officials and department heads that assist the Board of Supervisors include the Central Point Coordinator, Conservation Director, Engineer, Health Services Administrator and the Economic Development Director. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Lyon County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County. Lyon County has no component units which meet the Governmental Accounting Standards Board Criteria in order to be included in Lyon County's reporting entity.

**Jointly Governed Organizations** – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lyon County Assessor's Conference Board, Lyon County Emergency Management Commission, Lyon County Joint E911 Service Board, Northwest Iowa Area Solid Waste Agency, Lyon County Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), Northwest Iowa Contracting Consortium, Northwest Iowa Care Connections and Northwest Iowa Regional Housing Authority. Financial transactions of



these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County for the Assessor, Joint E911 Service and Emergency Management and not reported for the Northwest Iowa Area Solid Waste Agency, the Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium, the Northwest Iowa Care Connections and the Northwest Iowa Regional Housing Authority.

During the year ended June 30, 2015, the County did not receive any revenue from or contribute/pay any money to the Hazardous Material Response Commission (Region III), the Northwest Iowa Contracting Consortium, the Lyon County Economic Development Consortium, or YES (Youth Emergency Services). The County paid \$577 to the Northwest Iowa Solid Waste Agency for florescent bulbs and chemicals disposal; made a \$6,491 contribution for operations to the Northwest Iowa Regional Housing Authority; contributed \$43,365 toward support of the Emergency Management Services; and paid \$199,386 on a cash basis (\$206,653 on a modified accrual basis) to the Northwest Iowa Care Connections for the County's share of regional mental health services. The Joint E911 Service paid the County \$3,000 for sign work and supplies; and the County Assessor contributed \$49,084 to the County's Internal Service Fund, Employee Group Health, to participate in the County's health insurance plan.

#### B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt, as applicable, attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a

given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The County Tax Increment Financing Fund is used to account for the collection of tax increment financing in county urban renewal areas. The County expends tax increment financing collections in the form of rebate payments to a couple businesses and on reimbursements for costs related to infrastructure improvements (roads, etc.) in urban renewal areas.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general obligation bonds long-term debt.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax and tax increment financing are recognized as revenue in the fiscal year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, any claims and judgments and compensated absences (for employees who haven't terminated employment) are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to

various funds, employees and others for health plan costs, insurance reimbursements and pharmacy rebates. Operating expenses for the Internal Service Fund include the cost of services and administrative related expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and the investments in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) and a non-negotiable certificate of deposit, which are stated at cost, as the cost and fair market value are considered equal.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax and Tax Increment Financing Receivables – Property tax and tax increment financing in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenues are deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which each is levied.

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; are based on January 1, 2013 assessed property valuations; are for the tax accrual period July 1, 2014 through June 30, 2015 and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Accounts Receivable – Accounts receivable represents money owed to the County, mainly for services provided by the County, which was not paid to the County as of June 30, 2015. The General Fund accounts receivable total includes \$105,792 in jail fee receivables and \$39,299 in ambulance charges receivables for which it is possible that a large portion of these jail fee and ambulance charges receivables may not be collected within one year.

Due from Other Governmental Funds, Due from Agency Funds, Due from Other Agency Fund, Due to Other Governmental Funds, Due to County's Governmental Funds and Due to Other Agency Fund – During the course of its operations, the County has numerous transactions between the County's governmental funds, the Employee Group Health Fund and agency funds, and between different agency funds. To the extent that certain transactions between the County's governmental funds and agency funds and between different agency funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the governmental funds consist mainly of expendable supplies held for consumption and some secondary roads supplies available for resale. Inventories in the agency funds consist of expendable supplies held for consumption and commissary items held for sale at the jail. Inventories of governmental and agency funds are recorded as expenses/expenditures/deductions when consumed or sold rather than when purchased.

Prepaid Expenses/Expenditures and Prepaid Lease – Prepaid expenses/expenditures and prepaid lease represent a lease agreement and other expenses/expenditures that will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles (when any) and infrastructure assets acquired after July 1, 2004 (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class                       | Amount    |
|-----------------------------------|-----------|
| Infrastructure                    | \$ 50,000 |
| Intangibles                       | 25,000    |
| Land, Buildings and Improvements  | 5,000     |
| Machinery, Equipment and Vehicles | 5,000     |

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

| Asset Class                         | Estimated<br>Useful lives<br>(In Years) |
|-------------------------------------|---|
| Buildings and Building Improvements | 25 – 50                                 |
| Land Improvements                   | 10 – 50                                 |
| Infrastructure                      | 10 – 65                                 |
| Intangibles                         | 3 – 40                                  |
| Machinery and Equipment             | 3 – 15                                  |
| Vehicles                            | 3 – 10                                  |

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved or other requirements are met.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in governmental fund financial statements only for employees who have resigned, retired or employment has terminated for any other reason. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the following Special Revenue Funds: Mental Health, Rural Services, Secondary Roads and Economic Development.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable, tax increment financing receivable, and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which each tax is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.



Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements did not exceed the amount budgeted for any function or the amount appropriated for any department.

(2) **Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2015, the County had the following investments:

| Type  | Pool/Number | Maturity Date    | Fair Value       |
|-------|-------------|------------------|------------------|
| FHLMC | SER 2115 CL | January 15, 2029 | \$ 26,693        |
| FHLMC | SER 1570 CL | August 15, 2023  | 6,380            |
|       |             |                  | <u>\$ 33,073</u> |

In addition, the County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$1,002 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and investments in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) with a carrying and fair value of \$13,939, that are not subject to risk categorization.

Interest rate risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk – The County's two FHLMC investments at June 30, 2015 are rated Aaa by Moody's Investors Service. The investments in the Iowa Public Agency Investment Trust and the Wells Fargo Advantage Government Money Market Fund at June 30, 2015 are unrated.

Concentration of credit risk - The County places a limit on the amount that may be invested in any one type of investment or any single issuer for prime banker's acceptances and commercial

paper. Each type of investment, prime banker's acceptances and commercial paper, at the time of purchase, is limited to ten percent of the total investment portfolio. No more than five percent of the total investment portfolio may be invested in the securities of a single issuer for prime banker's acceptances and commercial paper. Also, no more than five percent of the amount invested in commercial paper shall be invested in paper rated in the second highest classification. The County had no investments in prime banker's acceptances and commercial paper during the fiscal year ended June 30, 2015.

**(3) Due from Other Governmental Funds, Due from Agency Funds, Due from Other Agency Fund, Due to Other Governmental Funds, Due to County's Governmental Funds, and Due to Other Agency Fund**

The detail of receivables and payables between the County's different governmental funds, governmental funds and agency funds, and between different agency funds for transactions at June 30, 2015 is as follows:

| Receivable Fund                       | Payable Fund                                     | Amount            |
|---------------------------------------|--|-------------------|
| General                               | Agency:  |                   |
|                                       | County Offices (Recorder, Sheriff, Conservation) | \$ 58,357         |
|                                       | Auto License and Use Tax                         | 12,615            |
| Special Revenue:                      | Special Revenue:                                 |                   |
| Secondary Roads                       | Rural Services                                   | 731               |
|                                       | County Tax Increment Financing                   | 421,000           |
|                                       | Agency:  |                   |
|                                       | E911 Surcharge                                   | 3,000             |
| County Recorder's Records Management  | Agency:  |                   |
|                                       | County Offices (Recorder)                        | 919               |
| Agency                                | Agency:  |                   |
| Other (Co. Recorder's Electronic Fee) | County Offices (Recorder)                        | 354               |
|                                       | Total  | <u>\$ 496,976</u> |

Most of these balances result from the time lag between the dates interfund goods and services are provided, reimbursable expenditures occur or money is collected in an agency fund, the transactions/collections are recorded in the accounting system, and the resulting payments are made to the County's appropriate governmental fund or agency fund.

The balance owed to the Secondary Roads Fund by the County Tax Increment Financing Fund is the result of interfund loans to help improve qualifying roadways in an urban renewal area in Lyon County. Repayments will be made on the interfund loans as tax increment financing proceeds are received.

#### (4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

| Transfer to          | Transfer from    | Amount              |
|----------------------|------------------|---------------------|
| Special Revenue:     | General          | \$ 434,150          |
| Secondary Roads      | Special Revenue: |                     |
|                      | Rural Services   | 1,813,086           |
| Economic Development | General          | 65,000              |
|                      | Special Revenue: |                     |
|                      | Rural Services   | 65,000              |
|                      | Total            | <u>\$ 2,377,236</u> |

The Rural Services transfers and \$134,150 of the General Fund transfers to the Secondary Roads Fund were to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Rural Services and General Fund transfers to the Economic Development Fund were to provide funding for the Economic Development Fund. The \$300,000 transfer from the General Fund to the Secondary Roads Fund was to utilize gambling taxes collected toward the construction of a new secondary roads shop in Little Rock.

#### (5) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

|   | Balance<br>Beginning of Year | Increases        | Decreases           | Balance<br>End of Year |
|---|------------------------------|------------------|---------------------|------------------------|
| <b>Governmental Activities:</b>             |                              |                  |                     |                        |
| Capital Assets Not Being Depreciated:       |                              |                  |                     |                        |
| Land  | \$ 2,039,604                 | 0                | ( 35,950)           | 2,003,654              |
| Construction in Progress                    | 1,145,553                    | 1,812,017        | ( 2,247,186)        | 710,384                |
| Total Capital Assets Not Being Depreciated  | <u>3,185,157</u>             | <u>1,812,017</u> | <u>( 2,283,136)</u> | <u>2,714,038</u>       |
| Capital Assets Being Depreciated:           |                              |                  |                     |                        |
| Buildings                                   | 6,675,948                    | 686,677          | ( 45,000)           | 7,317,625              |
| Improvements Other Than Buildings           | 861,295                      | 0                | 0                   | 861,295                |
| Machinery, Equipment and Vehicles           | 10,472,246                   | 902,443          | ( 669,355)          | 10,705,334             |
| Infrastructure                              | 23,700,660                   | 2,247,186        | 0                   | 25,947,846             |
| Total Capital Assets Being Depreciated      | <u>41,710,149</u>            | <u>3,836,306</u> | <u>( 714,355)</u>   | <u>44,832,100</u>      |
| Less Accumulated Depreciation For:          |                              |                  |                     |                        |
| Buildings                                   | 2,234,416                    | 189,003          | ( 37,162)           | 2,386,257              |
| Improvements Other Than Buildings           | 471,986                      | 41,751           | 0                   | 513,737                |
| Machinery, Equipment and Vehicles           | 6,020,092                    | 620,482          | ( 441,315)          | 6,199,259              |
| Infrastructure                              | 4,442,706                    | 804,971          | 0                   | 5,247,677              |
| Total Accumulated Depreciation              | <u>13,169,200</u>            | <u>1,656,207</u> | <u>( 478,477)</u>   | <u>14,346,930</u>      |
| Total Capital Assets Being Depreciated, Net | <u>28,540,949</u>            | <u>2,180,099</u> | <u>( 235,878)</u>   | <u>30,485,170</u>      |
| Governmental Activities Capital Assets, Net | <u>\$ 31,726,106</u>         | <u>3,992,116</u> | <u>( 2,519,014)</u> | <u>33,199,208</u>      |

Depreciation expense was charged to the following functions:

**Governmental Activities:**

|  |                     |
|--|---------------------|
| Public Safety and Legal Services                     | \$ 233,395          |
| Physical Health and Social Services                  | 779                 |
| County Environment and Education                     | 105,846             |
| Roads and Transportation                             | 1,239,911           |
| Governmental Services to Residents                   | 14,308              |
| Administration                                       | <u>61,968</u>       |
| Total Depreciation Expense – Governmental Activities | <u>\$ 1,656,207</u> |

The County does not have any “intangible” capital assets as of June 30, 2015.

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax and other county tax (including TIF) for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015 is as follows:

| Fund                             | Description        | Amount               |
|----------------------------------|--------------------|----------------------|
| General                          | Services/Utilities | <u>\$ 19,554</u>     |
| Special Revenue:                 |                    |                      |
| Mental Health                    | Services           | 7,267                |
| Rural Services                   | Services           | 50                   |
| Secondary Roads                  | Services/Utilities | 346                  |
| Sheriff Asset Forfeiture         | Forfeitures        | <u>53</u>            |
| Special Revenue Total            |                    | <u>7,716</u>         |
| Total for Governmental Funds     |                    | <u>\$ 27,270</u>     |
| Agency:                          |                    |                      |
| County Offices                   | Collections        | \$ 20,512            |
| Agricultural Extension Education |                    | 213,849              |
| County Assessor                  |                    | 368,504              |
| Schools                          |                    | 9,639,995            |
| Community Colleges               |                    | 571,340              |
| Corporations                     |                    | 2,685,439            |
| Townships                        |                    | 325,898              |
| Auto License and Use Tax         |                    | 305,657              |
| E911 Surcharge                   |                    | 293,025              |
| E911 Operating                   |                    | 8,008                |
| Emergency Management             |                    | 52,972               |
| All Other                        |                    | <u>6,722</u>         |
| Total for Agency Funds           |                    | <u>\$ 14,491,921</u> |

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

|   | General<br>Obligation<br>Bonds | Compensated<br>Absences | Net Pension<br>Liability | Net OPEB<br>Liability | Total        |
|---|--------------------------------|-------------------------|--------------------------|-----------------------|--------------|
| Balance Beginning of Year,<br>as restated | \$ 695,000                     | 338,718                 | 2,987,099                | 106,870               | 4,127,687    |
| Increases                                 | 0                              | 326,057                 | 0                        | 40,594                | 366,651      |
| Decreases                                 | ( 225,000)                     | ( 344,075)              | ( 1,305,024)             | 0                     | ( 1,874,099) |
| Balance End of Year                       | 470,000                        | 320,700                 | 1,682,075                | 147,464               | 2,620,239    |
| Due Within One Year                       | \$ 230,000                     | 254,575                 | 0                        | 0                     | 484,575      |

**Bonds Payable**

A summary of the County's June 30, 2015 general obligation bonded indebtedness is as follows:

| Year Ending<br>June 30, | Interest<br>Rates | Law Enforcement Center |          | Total   |
|-------------------------|-------------------|------------------------|----------|---------|
|                         |                   | Principal              | Interest |         |
| 2016                    | 2.60%             | \$ 230,000             | 13,060   | 243,060 |
| 2017                    | 2.95%             | 240,000                | 7,080    | 247,080 |
| Total                   |                   | \$ 470,000             | 20,140   | 490,140 |

During the fiscal year ended June 30, 2015, the County retired \$225,000 in general obligation refunding bonds dated March 15, 2010. The County paid interest of \$18,123 and bond administration charges of \$500. These general obligations bonds are being redeemed through the Debt Service Fund.

**(8) Operating Lease Arrangement**

**Fair Building**

On September 25, 2000, the County entered into a written agreement with the Lyon County Fair Association to share in the costs of constructing a building to be located on the fairgrounds. The building is to be owned by the Lyon County Fair Association, but under the terms of the agreement, the building can be used for storage by the County's Secondary Road Department for the majority of the year. As per the agreement, the County agreed to and paid for one-half of the building costs up to \$100,000 in 2000.

This agreement will terminate thirty years from September 25, 2000. This agreement may be extended upon such additional terms as is satisfactory to both parties. Any extension agreement and its terms must be executed prior to sixty days of the date of the termination of this agreement. Lyon County shall have the just right to refusal upon the offering of the fair building for sale. In such event, Lyon County shall have thirty days to meet any other offers for purchase.

The prepaid lease of \$50,793, reported as an asset in the Statement of Net Position and the Balance Sheet (Governmental Funds) in the Secondary Roads Fund, represents the amortized value of the lease benefit remaining from July 1, 2015 until September 24, 2030.

**(9) Pension and Retirement Benefits**

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protection occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.90 percent.

The County's contributions to IPERS for the year ended June 30, 2015 were \$414,862 (this amount includes \$398,508 for County employees/officials and \$16,354 for Assessor and Emergency Management employees).

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$1,682,075 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.0424134%, which was a decrease of 0.009611% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$145,679. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



| Description of Resource   | Deferred Outflows<br>of Resources | Deferred Inflows of<br>Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 20,153                         | \$ 39,872                        |
| Changes of assumptions  | 81,837                            | 32,617                           |
| Net difference between projected and actual earnings on pension plan investments                            | 0                                 | 1,086,786                        |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 10,031                            | 0                                |
| County contributions subsequent to the measurement date   | 414,862                           | 0                                |
| Total   | \$ 526,883                        | \$ 1,159,275                     |

\$414,862 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Total          |
|---------------------|----------------|
| 2016                | \$ (262,460)   |
| 2017                | (262,460)      |
| 2018                | (262,460)      |
| 2019                | (262,460)      |
| 2020                | 2,586          |
| Total               | \$ (1,047,254) |

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |   |
|--|---|
| Rate of inflation<br>(effective June 30, 2014)                   | 3.00 percent per annum  |
| Rates of salary increase<br>(effective June 30, 2010)            | 4.00 to 17.00 percent, average, including inflation. Rates vary by membership group |
| Long-term Investment rate of return<br>(effective June 30, 1996) | 7.50 percent, compounded annually, net of investment expense, including inflation   |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>     | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|-------------------------|---|
| US Equity              | 23%                     | 6.31  |
| Non US Equity          | 15                      | 6.76  |
| Private Equity         | 13                      | 11.34   |
| Real Estate            | 8                       | 3.52  |
| Core Plus Fixed Income | 28                      | 2.06  |
| Credit Opportunities   | 5                       | 3.67  |
| TIPS                   | 5                       | 1.92  |
| Other Real Assets      | 2                       | 6.27  |
| Cash                   | 1                       | (0.69)  |
| Total                  | 100%                    |   |

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

|  | 1% Decrease<br>(6.5%) | Discount Rate<br>(7.5%) | 1% Increase<br>(8.5%) |
|--|-----------------------|-------------------------|-----------------------|
| County's proportionate share of the net pension liability: | \$ 4,142,806          | 1,682,075               | ( 392,451)            |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on the IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the County did not have any amounts payable to the defined benefit pension plan for legally required employer contributions or employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

## (10) Other Postemployment Benefits (OPEB)

**Plan Description.** The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 79 active and 2 retired members participating in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-funded medical plan administered by Wellmark, Inc. (effective October 1, 2014 – previously administered by First Administrators, Inc.) Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

**Funding Policy.** The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation.** The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

|  |                   |
|--|-------------------|
| Annual Required Contribution               | \$ 55,310         |
| Interest on Net OPEB Obligation            | 4,275             |
| Adjustment to Annual Required Contribution | ( 3,733)          |
| Annual OPEB Cost                           | 55,852            |
| Contributions Made                         | ( 15,258)         |
| Increase in Net OPEB Obligation            | 40,594            |
| Net OPEB Obligation Beginning of Year      | 106,870           |
| Net OPEB Obligation End of Year            | <u>\$ 147,464</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$15,258 to the medical plan. Plan members eligible for benefits did not make any contributions.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

| Year<br>Ended June 30, | Annual<br>OPEB Cost | Percentage of<br>Annual<br>OPEB Cost | Net<br>OPEB<br>Obligation |
|------------------------|---------------------|--------------------------------------|---------------------------|
| 2013                   | \$ 55,444           | 27.5%                                | 66,481                    |
| 2014                   | 55,647              | 27.5%                                | 106,870                   |
| 2015                   | 55,852              | 27.5%                                | 147,464                   |

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2015, the actuarial accrued liability was \$452,697, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$452,697. The covered payroll (annual payroll of active employees covered by the plan) was \$3,980,019 and the ratio of the UAAL to covered payroll was 11.4%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 combined Mortality Table projected to 2014 using Scale AA. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012. Termination rates were set based on the historical experience of the County.

Projected claim costs of the medical plan are \$8,400 annually for single retirees and \$18,960 annually for family retirees. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(11) Risk Management**

Lyon County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2015 were \$185,791.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in

the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$2,000,000 and employee blanket bonding in the amount of \$200,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **(12) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross Blue Shield (effective October 1, 2014 – previously administered by First Administrators, Inc.) The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$55,000. Claims in excess of coverage are insured through purchase of stop loss insurance from the Sun Life Assurance Company of Canada/Sun Life Financial. The stop loss insurance coverage has an unlimited maximum lifetime reimbursement per eligible participant and an annual maximum aggregate reimbursement of \$1,000,000.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees, stop loss insurance premiums and claims processed are paid to Wellmark Blue Cross Blue Shield from the Employee Group Health Fund. The County's contributions from governmental funds to this fund for the year ended June 30, 2015 were \$1,156,282. The County Assessor contributed \$49,084 to this fund during the fiscal year.

Amounts payable from the Employee Group Health Fund at June 30, 2015 total \$176,058, which \$159,416 is for incurred but not reported (IBNR) and reported but not paid medical claims and \$16,642 for other operating fees. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,671,958 at June 30, 2015 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A

reconciliation of changes in the aggregate liability for medical claims for the current year is as follows:

|   |                     |
|---|---------------------|
| Unpaid medical claims beginning of fiscal year  | \$ 197,319          |
| Incurred medical claims (including medical claims incurred but not reported as of June 30, 2015): |                     |
| Current and prior year events   | 1,024,868           |
| Payments on medical claims during the fiscal year:  |                     |
| Current and prior year events   | <u>( 1,062,771)</u> |
| Unpaid medical claims end of fiscal year  | <u>\$ 159,416</u>   |

The change in the provision for events of prior fiscal years for incurred claims and payments on claims attributable to events of prior fiscal years is not disclosed separately. This information is not available as it was not determined by the actuary while preparing the actuarial opinion.

### (13) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2015, except for \$577 for the disposal of florescent bulbs and chemicals.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a "Local Government Guarantee" in order to provide a financial assurance mechanism instrument for the Agency. The closure and postclosure costs to the Agency have been estimated at \$3,566,908 as of June 30, 2015 and the portion of the liability that has been recognized by the Agency as of June 30, 2015 is \$1,406,185. Due to a change in estimate the remaining life of the landfill has been increased by 23 years. The estimated remaining life of the landfill is 63 years and the capacity used at June 30, 2015 is approximately 39 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2015, assets of \$1,732,911 are restricted for these purposes.

The Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 113 of the Iowa Administrative Code. The Agency has shown financial assurance by establishing a dedicated fund and funding it in accordance with GASB 18 funding rules. The Agency also has a local government guarantee and local government financial test in place for the unfunded amounts. Lyon County has provided a local government guarantee for a portion of the closure and postclosure care costs of the Northwest Iowa Area Solid Waste Agency required by Chapter 567-113.14 of the Iowa Administrative Code. Lyon County's financial assurance obligation is \$306,000.

**(14) Lyon County Financial Information Included in the Northwest Iowa Care Connections Mental Health Region**

Northwest Iowa Care Connections, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective April 25, 2014, includes the following member counties: Clay County, Dickinson County, Lyon County, O'Brien County, Osceola County and Palo Alto County. The financial activity of Lyon County's Special Revenue, Mental Health Fund is included in Northwest Iowa Care Connections for the year ended June 30, 2015, as follows:

**Revenues:**

|  |           |                |
|--|-----------|----------------|
| Property and Other County Tax                    |           | \$ 237,458     |
| Intergovernmental Revenues:                      |           |                |
| State Tax Credits                                | \$ 12,777 |                |
| Other State Tax Replacements                     | 2,180     |                |
| Social Services Block Grant                      | 30,478    |                |
| Contributions from Other Intergovernmental Units | 2,121     |                |
| CPC 28E Agreement with Osceola County            | 19,933    |                |
| Other Intergovernmental Revenues                 | 1,546     | 69,035         |
| Charges for Service                              |           | 1,606          |
| Miscellaneous                                    |           | 1,985          |
| Total Revenues                                   |           | <u>310,084</u> |

**Expenditures:**

|   |         |                |
|---|---------|----------------|
| Services to Persons with Mental Illness |         | 318            |
| General Administration:                 |         |                |
| Direct Administration                   | 76,755  |                |
| Purchased Administration                | 6,155   |                |
| Distribution to Regional Fiscal Agent   | 206,653 | 289,563        |
| Total Expenditures                      |         | <u>289,881</u> |

Excess of Revenues Over Expenditures 20,203

Fund Balance Beginning of the Year 500,443

Fund Balance End of the Year \$ 520,646

**(15) Deficit Fund Balance**

The Special Revenue, County Tax Increment Financing Fund had a deficit fund balance of \$421,000 at June 30, 2015. This deficit balance was a result of qualifying road improvement costs within a County urban renewal area in excess of available urban renewal tax increment collections. This deficit will be eliminated in future years upon collection of tax increment financing revenues.

**(16) Commitments**

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous



condition emergencies in the County. The County is also responsible for an annual base charge. Adjustments to the base amount using updated census data will be implemented in subsequent fiscal years as outlined in the agreement. The estimated annual base charges for fiscal years ending June 30, 2016-2017 are \$9,844 per year for a total of \$19,688. The payments for these charges are scheduled to be paid through Lyon County Emergency Management Services. The Emergency Management Services paid \$9,844 on this commitment during the fiscal year ended June 30, 2015.

In April 2015, the Board of Supervisors approved a contract for a culvert project for \$328,254 to be paid from the Secondary Roads Fund. As of June 30, 2015, the project was in process and \$58,292 had been paid for work completed. Of the remaining \$269,962, \$78,165 has been paid in fiscal year 2015/2016 through the date of the audit report; the final \$191,797 will be paid upon completion of this culvert project.

In May 2015, the Board of Supervisors approved a contract for a culvert project for \$333,332 to be paid from the Secondary Roads Fund. As of June 30, 2015, no work had been started on this project. After approved change orders of \$1,740, the entire \$335,072 has been paid during fiscal year 2015/2016 due to completion of this culvert project before the date of the audit report.

#### **(17) Subsequent Events**

In July 2015, the Board of Supervisors approved a contract for \$391,043 for a five culvert project; however, the company awarded the contract withdrew their bid and the contract was awarded to the next lowest bidder at a cost of \$508,449. This project will be paid from the Secondary Roads Fund as work progresses.

In September 2015, the Board of Supervisors passed an Ordinance establishing a policy for the construction and reconstruction of roadways and bridges on the Lyon County Secondary Road system.

In November 2015, the Board of Supervisors passed Resolution 2015-41, "Authorizing Internal Loan to Fund Urban Renewal Project Costs". The loan is in the amount of \$420,000 from the Secondary Roads Fund to the County Tax Increment Financing Fund. The terms state the loan is to be repaid, without interest, out of future incremental property tax revenues received into the County Tax Increment Financing Fund. The loan is to be repaid before June 30, 2017.

In December 2015, the Board of Supervisors approved a contract for a bridge project in the amount of \$382,955. This project will be paid from the Secondary Roads Fund as work progresses.

#### **(18) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**(19) Accounting Change**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, was implemented during the fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| Net Position June 30, 2014, as<br>Previously Reported  | \$ 41,372,789                      |
| Net pension liability at June 30, 2014   | ( 2,987,099)                       |
| Deferred Outflows of Resources Related to<br>Prior Year Contributions Made After the<br>June 30, 2013 Measurement Date | 403,449                            |
| Net Position July 1, 2014, as Restated   | <u>\$ 38,789,139</u>               |

**Lyon County**

**Required Supplementary Information**

**Lyon County**  
**Budgetary Comparison Schedule of**  
**Receipts, Disbursements and Changes in Balances–**  
**Budget and Actual (Cash Basis) – All Governmental Funds**

**Required Supplementary Information**

**Year Ended June 30, 2015**

|   | <u>Budgeted Amounts</u> |                 |              | <b>Final to</b> |
|---|-------------------------|-----------------|--------------|-----------------|
|   | <b>Actual</b>           | <b>Original</b> | <b>Final</b> | <b>Actual</b>   |
|   |                         |                 |              | <b>Variance</b> |
| <b>Receipts:</b>  |                         |                 |              |                 |
| Property and Other County Tax   | \$ 7,704,570            | 7,636,947       | 7,636,947    | 67,623          |
| Interest and Penalty on Property Tax  | 24,585                  | 19,070          | 19,070       | 5,515           |
| Intergovernmental   | 6,018,128               | 4,908,285       | 5,298,603    | 719,525         |
| Licenses and Permits  | 66,347                  | 76,825          | 76,825       | (10,478)        |
| Charges for Service   | 934,674                 | 843,690         | 843,690      | 90,984          |
| Use of Money and Property   | 149,676                 | 151,024         | 151,024      | (1,348)         |
| Miscellaneous   | 543,045                 | 186,437         | 552,835      | (9,790)         |
| Total Receipts  | 15,441,025              | 13,822,278      | 14,578,994   | 862,031         |
| <b>Disbursements:</b>   |                         |                 |              |                 |
| Public Safety and Legal Services  | 3,116,104               | 3,142,501       | 3,251,712    | 135,608         |
| Physical Health and Social Services   | 632,584                 | 904,595         | 904,595      | 272,011         |
| Mental Health   | 297,772                 | 650,021         | 650,021      | 352,249         |
| County Environment and Education  | 919,780                 | 865,223         | 940,350      | 20,570          |
| Roads and Transportation  | 5,149,872               | 5,051,628       | 5,451,628    | 301,756         |
| Governmental Services to Residents  | 477,492                 | 500,021         | 501,521      | 24,029          |
| Administration  | 1,122,711               | 1,166,813       | 1,163,013    | 40,302          |
| Non-Program Current   | 70,716                  | 77,760          | 77,760       | 7,044           |
| Debt Service  | 243,622                 | 243,723         | 243,723      | 101             |
| Capital Projects  | 3,491,044               | 1,808,620       | 3,592,620    | 101,576         |
| Total Disbursements   | 15,521,697              | 14,410,905      | 16,776,943   | 1,255,246       |
| Deficiency of Receipts Under Disbursements  | (80,672)                | (588,627)       | (2,197,949)  | 2,117,277       |
| Other Financing Sources, Net  | 146,445                 | 30,000          | 146,000      | 445             |
| Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses | 65,773                  | (558,627)       | (2,051,949)  | 2,117,722       |
| Balance Beginning of Year   | 7,063,245               | 6,116,185       | 6,116,185    | 947,060         |
| Balance End of Year   | \$ 7,129,018            | 5,557,558       | 4,064,236    | 3,064,782       |

See Accompanying Independent Auditor's Report.

**Lyon County**

**Budgetary Comparison Schedule – Budget to GAAP Reconciliation**

**Required Supplementary Information**

**Year Ended June 30, 2015**

|                              | <b>Governmental Funds</b> |                                |                                       |
|------------------------------|---------------------------|--------------------------------|---------------------------------------|
|                              | <b>Cash<br/>Basis</b>     | <b>Accrual<br/>Adjustments</b> | <b>Modified<br/>Accrual<br/>Basis</b> |
| Revenues                     | \$ 15,441,025             | 360,463                        | 15,801,488                            |
| Expenditures                 | 15,521,697                | 96,495                         | 15,618,192                            |
| Net                          | (80,672)                  | 263,968                        | 183,296                               |
| Other Financing Sources, Net | 146,445                   | 1,320                          | 147,765                               |
| Beginning Fund Balances      | 7,063,245                 | 1,438,350                      | 8,501,595                             |
| Ending Fund Balances         | <u>\$ 7,129,018</u>       | <u>1,703,638</u>               | <u>8,832,656</u>                      |

See Accompanying Independent Auditor's Report.

## **Lyon County**

### **Notes to Required Supplementary Information – Budgetary Reporting**

**June 30, 2015**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except the Internal Service Fund and the Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund (when applicable). Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted receipts by \$756,716 and budgeted disbursements by \$2,366,038. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2015, disbursements did not exceed the amount budgeted for any function or the amount appropriated for any department.

**Lyon County**

**Schedule of the County's Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System  
Last Fiscal Year\***

**Required Supplementary Information**

|   | <u>2015</u>  |
|---|--------------|
| County's Collective Proportion of the Net Pension Liability   | 0.009611%    |
| County's Collective Proportionate Share of the Net Pension Liability  | \$ 1,682,075 |
| County's Covered-Employee Payroll   | \$ 4,359,517 |
| County's Collective Proportionate Share of the Net Pension Liability<br>as a Percentage of its Covered-Employee Payroll | 38.58%       |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability  | 87.61%       |

\* The amounts presented for this fiscal year were determined as of June 30.

See Accompanying Independent Auditor's Report.

**Lyon County**

**Schedule of County Contributions**

**Iowa Public Employees' Retirement System  
Last 10 Fiscal Years**

**Required Supplementary Information**

|  | 2015        | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      | 2008      | 2007      | 2006      |
|--|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Statutorily Required Contribution                                  | \$ 414,862  | 403,449   | 384,150   | 361,822   | 318,780   | 292,080   | 272,366   | 238,570   | 224,370   | 209,300   |
| Contributions in Relation to the Statutorily Required Contribution | (414,862)   | (403,449) | (384,150) | (361,822) | (318,780) | (292,080) | (272,366) | (238,570) | (224,370) | (209,300) |
| Contribution Deficiency (Excess)                                   | \$ 0        | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         | 0         |
| County's Covered Employee Payroll                                  | \$4,473,556 | 4,359,517 | 4,223,136 | 4,207,349 | 4,164,052 | 4,092,459 | 3,991,325 | 3,742,129 | 3,592,013 | 3,359,367 |
| Contributions as a Percentage of Covered Employee Payroll          | 9.27%       | 9.25%     | 9.10%     | 8.60%     | 7.66%     | 7.14%     | 6.82%     | 6.38%     | 6.25%     | 6.23%     |

See Accompanying Independent Auditor's Report.



## **Lyon County**

### **Notes to Required Supplementary Information – Pension Liability**

**Year Ended June 30, 2015**

#### *Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### *Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

**Lyon County**

**Notes to Required Supplementary Information – Pension Liability**

**Year ended June 30, 2015**

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**Lyon County**

**Schedule of Funding Progress for the Retiree Health Plan**

**Required Supplementary Information**

| <b>Year<br/>Ended<br/>June 30,</b> | <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>(b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b-a)</b> | <b>Ratio<br/>(a/b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage<br/>Of Covered<br/>Payroll<br/>((b-a)/c)</b> |
|------------------------------------|---|--|--|--|------------------------|------------------------------------|--|
| 2010                               | July 1, 2009                            | 0  | \$ 81,273  | 81,273                                       | 0.00%                  | 3,243,687                          | 2.5%   |
| 2011                               | July 1, 2009                            | 0  | 81,273   | 81,273                                       | 0.00%                  | 3,453,055                          | 2.4%   |
| 2012                               | July 1, 2009                            | 0  | 81,273   | 81,273                                       | 0.00%                  | 3,518,039                          | 2.3%   |
| 2013                               | July 1, 2012                            | 0  | 452,697  | 452,697                                      | 0.00%                  | 3,454,701                          | 13.1%  |
| 2014                               | July 1, 2012                            | 0  | 452,697  | 452,697                                      | 0.00%                  | 3,718,453                          | 12.2%  |
| 2015                               | July 1, 2012                            | 0  | 452,697  | 452,697                                      | 0.00%                  | 3,980,019                          | 11.4%  |

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See Accompanying Independent Auditor's Report.

**Lyon County**

**Supplementary Information**

**Lyon County**  
**Combining Balance Sheet**  
**Nonmajor Governmental (Special Revenue) Funds**

**June 30, 2015**

|   | <b>Special</b>   |   |   |
|---|--|---|---|
|   | <b>Resource<br/>Enhancement<br/>and<br/>Protection</b> | <b>County<br/>Recorder's<br/>Records<br/>Management</b> | <b>Sheriff's<br/>Asset<br/>Forfeiture</b> |
| <b>Assets</b>                                 |  |   |   |
| Cash, Cash Equivalents and Pooled Investments | \$ 56,229  | 13,598  | 21,058                                    |
| Receivables:                                  |  |   |   |
| Accounts Receivable                           | 0  | 0   | 0   |
| Due from Agency Funds                         | 0  | 919   | 0   |
| Due from Other Governments                    | 0  | 0   | 0   |
| <b>Total Assets</b>                           | <b>\$ 56,229</b>                                       | <b>14,517</b>   | <b>21,058</b>                             |
| <b>Liabilities and Fund Balances</b>          |  |   |   |
| <b>Liabilities:</b>                           |  |   |   |
| Accounts Payable                              | \$ 0   | 0   | 2,165                                     |
| Due to Other Governments                      | 0  | 0   | 53  |
| <b>Total Liabilities</b>                      | <b>0</b>   | <b>0</b>  | <b>2,218</b>                              |
| <b>Fund Balances:</b>                         |  |   |   |
| Restricted For:                               |  |   |   |
| Other Purposes                                | 56,229   | 14,517  | 18,840                                    |
| Committed For:                                |  |   |   |
| Conservation Purposes                         | 0  | 0   | 0   |
| Economic Development Purposes                 | 0  | 0   | 0   |
| <b>Total Fund Balances</b>                    | <b>56,229</b>  | <b>14,517</b>   | <b>18,840</b>                             |
| <b>Total Liabilities and Fund Balances</b>    | <b>\$ 56,229</b>                                       | <b>14,517</b>   | <b>21,058</b>                             |

See Accompanying Independent Auditor's Report.

| Revenue  |                          |                         |                                 |  |         |
|--|--------------------------|-------------------------|---------------------------------|--|---------|
| CS Projects &<br>Conservation<br>Land Acquisition<br>Trust | Well<br>Closing<br>Trust | Economic<br>Development | County<br>Attorney<br>Incentive | Revolving<br>Loans-<br>Development<br>Projects | Total   |
| 57,125   | 27,973                   | 61,102                  | 21,986                          | 96,400   | 355,471 |
| 1,097  | 0                        | 2,049                   | 0                               | 0  | 3,146   |
| 0  | 0                        | 0                       | 0                               | 0  | 919     |
| 0  | 0                        | 0                       | 385                             | 0  | 385     |
| 58,222   | 27,973                   | 63,151                  | 22,371                          | 96,400   | 359,921 |
| 0  | 0                        | 1,639                   | 0                               | 0  | 3,804   |
| 0  | 0                        | 0                       | 0                               | 0  | 53      |
| 0  | 0                        | 1,639                   | 0                               | 0  | 3,857   |
| 0  | 27,973                   | 0                       | 22,371                          | 0  | 139,930 |
| 58,222   | 0                        | 0                       | 0                               | 0  | 58,222  |
| 0  | 0                        | 61,512                  | 0                               | 96,400   | 157,912 |
| 58,222   | 27,973                   | 61,512                  | 22,371                          | 96,400   | 356,064 |
| 58,222   | 27,973                   | 63,151                  | 22,371                          | 96,400   | 359,921 |

**Lyon County**

**Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental (Special Revenue) Funds**

**Year Ended June 30, 2015**

|  | <b>Special</b>   |   |   |
|--|--|---|---|
|  | <b>Resource<br/>Enhancement<br/>and<br/>Protection</b> | <b>County<br/>Recorder's<br/>Records<br/>Management</b> | <b>Sheriff's<br/>Asset<br/>Forfeiture</b> |
| <b>Revenues:</b>   |  |   |   |
| Intergovernmental  | \$ 13,255  | 0   | 0   |
| Charges for Service  | 0  | 2,869   | 0   |
| Use of Money and Property                                    | 129  | 37  | 0   |
| Miscellaneous  | 0  | 0   | 408                                       |
| Total Revenues   | <u>13,384</u>  | <u>2,906</u>  | <u>408</u>                                |
| <b>Expenditures:</b>   |  |   |   |
| Operating:   |  |   |   |
| Public Safety and Legal Services                             | 0  | 0   | 10,466                                    |
| County Environment and Education                             |  | 0   | 0   |
| Governmental Services to Residents                           | 0  | 3,625   | 0   |
| Capital Projects   |  | 0   | 0   |
| Total Expenditures   | <u>0</u>   | <u>3,625</u>  | <u>10,466</u>                             |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 13,384   | (719)   | (10,058)                                  |
| <b>Other Financing Sources:</b>                              |  |   |   |
| Operating Transfers In                                       | <u>0</u>   | <u>0</u>  | <u>0</u>                                  |
| Change in Fund Balances                                      | 13,384   | (719)   | (10,058)                                  |
| Fund Balances Beginning of Year                              | <u>42,845</u>  | <u>15,236</u>   | <u>28,898</u>                             |
| Fund Balances End of Year                                    | <u><u>\$ 56,229</u></u>                                | <u><u>14,517</u></u>                                    | <u><u>18,840</u></u>                      |

See Accompanying Independent Auditor's Report.

| Revenues   |                          |                         |                                 |  |          |
|--|--------------------------|-------------------------|---------------------------------|--|----------|
| CS Projects &<br>Conservation<br>Land Acquisition<br>Trust | Well<br>Closing<br>Trust | Economic<br>Development | County<br>Attorney<br>Incentive | Revolving<br>Loans-<br>Development<br>Projects | Total    |
| 0  | 0                        | 0                       | 0                               | 0  | 13,255   |
| 105,953  | 0                        | 0                       | 0                               | 0  | 108,822  |
| 138  | 0                        | 0                       | 0                               | 0  | 304      |
| 2,305  | 0                        | 11,368                  | 745                             | 16,799   | 31,625   |
| 108,396  | 0                        | 11,368                  | 745                             | 16,799   | 154,006  |
| 0  | 0                        | 0                       | 5,592                           | 0  | 16,058   |
| 0  | 0                        | 136,226                 | 0                               | 10,000   | 146,226  |
| 0  | 0                        | 0                       | 0                               | 0  | 3,625    |
| 63,906   | 0                        | 0                       | 0                               | 0  | 63,906   |
| 63,906   | 0                        | 136,226                 | 5,592                           | 10,000   | 229,815  |
| 44,490   | 0                        | (124,858)               | (4,847)                         | 6,799  | (75,809) |
| 0  | 0                        | 130,000                 | 0                               | 0  | 130,000  |
| 44,490   | 0                        | 5,142                   | (4,847)                         | 6,799  | 54,191   |
| 13,732   | 27,973                   | 56,370                  | 27,218                          | 89,601   | 301,873  |
| 58,222   | 27,973                   | 61,512                  | 22,371                          | 96,400   | 356,064  |



**Lyon County**  
**Combining Schedule of Fiduciary Assets and Liabilities**  
**Agency Funds**

**June 30, 2015**

|  | <b>County<br/>Offices</b> | <b>Agricultural<br/>Extension<br/>Education</b> | <b>County<br/>Assessor</b> | <b>Schools</b>   | <b>Community<br/>Colleges</b> |
|--|---------------------------|---|----------------------------|------------------|-------------------------------|
| <b>Assets</b>                                  |                           |   |                            |                  |                               |
| Cash, Cash Equivalents and Pooled Investments: |                           |   |                            |                  |                               |
| County Treasurer                               | \$ 0                      | 1,992   | 132,764                    | 86,391           | 4,996                         |
| Other County Officials                         | 90,872                    | 0   | 0                          | 0                | 0                             |
| Flex Spending Plan                             | 0                         | 0   | 0                          | 0                | 0                             |
| Receivables:                                   |                           |   |                            |                  |                               |
| Property Tax:                                  |                           |   |                            |                  |                               |
| Delinquent                                     | 0                         | 23  | 27                         | 1,035            | 62                            |
| Succeeding Year                                | 0                         | 211,834   | 247,138                    | 9,552,569        | 566,282                       |
| Tax Increment Financing:                       |                           |   |                            |                  |                               |
| Succeeding Year                                | 0                         | 0   | 0                          | 0                | 0                             |
| Accounts                                       | 690                       | 0   | 0                          | 0                | 0                             |
| Due from Other Agency Fund                     | 0                         | 0   | 0                          | 0                | 0                             |
| Due from Other Governments                     | 0                         | 0   | 0                          | 0                | 0                             |
| Inventories                                    | 0                         | 0   | 1,528                      | 0                | 0                             |
| Prepaid Expenses                               | 0                         | 0   | 552                        | 0                | 0                             |
| <b>Total Assets</b>                            | <b>\$ 91,562</b>          | <b>213,849</b>                                  | <b>382,009</b>             | <b>9,639,995</b> | <b>571,340</b>                |
| <b>Liabilities</b>                             |                           |   |                            |                  |                               |
| Accounts Payable                               | \$ 0                      | 0   | 2,958                      | 0                | 0                             |
| Due to County's Governmental Funds             | 59,276                    | 0   | 0                          | 0                | 0                             |
| Due to Other Agency Fund                       | 354                       | 0   | 0                          | 0                | 0                             |
| Due to Other Governments                       | 20,512                    | 213,849   | 368,504                    | 9,639,995        | 571,340                       |
| Trusts Payable                                 | 11,420                    | 0   | 0                          | 0                | 0                             |
| Compensated Absences                           | 0                         | 0   | 10,547                     | 0                | 0                             |
| <b>Total Liabilities</b>                       | <b>\$ 91,562</b>          | <b>213,849</b>                                  | <b>382,009</b>             | <b>9,639,995</b> | <b>571,340</b>                |

See Accompanying Independent Auditor's Report.

**Schedule 3**

| <b>Corporations</b> | <b>Townships</b> | <b>Auto<br/>License<br/>and<br/>Use Tax</b> | <b>E911<br/>Surcharge</b> | <b>E911<br/>Operating</b> | <b>Emergency<br/>Management</b> | <b>Advance<br/>Tax<br/>Collections</b> | <b>Other</b> | <b>Total</b> |
|---------------------|------------------|---|---------------------------|---------------------------|---------------------------------|--|--------------|--------------|
| 20,921              | 3,069            | 318,272                                     | 236,205                   | 8,008                     | 37,886                          | 107,152                                | 12,010       | 969,666      |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 0                                      | 0            | 90,872       |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 0                                      | 2,636        | 2,636        |
| 183                 | 35               | 0   | 0                         | 0                         | 0                               | 0                                      | 0            | 1,365        |
| 2,301,393           | 322,794          | 0   | 0                         | 0                         | 0                               | 0                                      | 2,548        | 13,204,558   |
| 362,942             | 0                | 0   | 0                         | 0                         | 0                               | 0                                      | 0            | 362,942      |
| 0                   | 0                | 0   | 14,046                    | 0                         | 0                               | 0                                      | 0            | 14,736       |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 0                                      | 354          | 354          |
| 0                   | 0                | 0   | 48,923                    | 0                         | 15,261                          | 0                                      | 0            | 64,184       |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 0                                      | 0            | 1,528        |
| 0                   | 0                | 0   | 18,000                    | 0                         | 75                              | 0                                      | 0            | 18,627       |
| 2,685,439           | 325,898          | 318,272                                     | 317,174                   | 8,008                     | 53,222                          | 107,152                                | 17,548       | 14,731,468   |
| 0                   | 0                | 0   | 21,149                    | 0                         | 250                             | 0                                      | 0            | 24,357       |
| 0                   | 0                | 12,615                                      | 3,000                     | 0                         | 0                               | 0                                      | 0            | 74,891       |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 0                                      | 0            | 354          |
| 2,685,439           | 325,898          | 305,657                                     | 293,025                   | 8,008                     | 52,972                          | 0                                      | 6,722        | 14,491,921   |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 107,152                                | 10,826       | 129,398      |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 0                                      | 0            | 10,547       |
| 2,685,439           | 325,898          | 318,272                                     | 317,174                   | 8,008                     | 53,222                          | 107,152                                | 17,548       | 14,731,468   |

**Lyon County**

**Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds**

**Year Ended June 30, 2015**

|  | <b>County<br/>Offices</b> | <b>Agricultural<br/>Extension<br/>Education</b> | <b>County<br/>Assessor</b> | <b>Schools</b>   | <b>Community<br/>Colleges</b> |
|--|---------------------------|---|----------------------------|------------------|-------------------------------|
| <b>Assets and Liabilities</b>                          |                           |   |                            |                  |                               |
| <b>Balances Beginning of Year</b>                      | \$ 55,240                 | 211,376   | 414,460                    | 9,257,688        | 529,939                       |
| <b>Additions:</b>                                      |                           |   |                            |                  |                               |
| Property and Other County Tax<br>(Including TIF)       | 0                         | 211,904   | 245,946                    | 9,226,801        | 566,465                       |
| E911 Surcharge   | 0                         | 0   | 0                          | 0                | 0                             |
| State Tax Credits                                      | 0                         | 11,277  | 17,194                     | 486,993          | 28,288                        |
| Intergovernmental Replacements,<br>Grants and Revenues | 0                         | 1,924   | 2,932                      | 76,579           | 4,825                         |
| State Wireless/Other State Grants                      | 0                         | 0   | 0                          | 0                | 0                             |
| Contribution from Lyon County                          | 0                         | 0   | 0                          | 0                | 0                             |
| Office Fees and Collections                            | 328,184                   | 0   | 277                        | 0                | 0                             |
| Elections  | 8,720                     | 0   | 0                          | 0                | 0                             |
| Electronic Transaction Fee                             | 0                         | 0   | 0                          | 0                | 0                             |
| Auto & Drivers Licenses,<br>Use Tax and Postage        | 0                         | 0   | 0                          | 0                | 0                             |
| Interest   | 29                        | 0   | 0                          | 0                | 0                             |
| Assessments  | 0                         | 0   | 0                          | 0                | 0                             |
| Trusts   | 79,183                    | 0   | 0                          | 0                | 0                             |
| Miscellaneous  | 0                         | 0   | 0                          | 0                | 0                             |
| <b>Total Additions</b>                                 | <b>416,116</b>            | <b>225,105</b>                                  | <b>266,349</b>             | <b>9,790,373</b> | <b>599,578</b>                |
| <b>Deductions:</b>                                     |                           |   |                            |                  |                               |
| Agency Remittances:                                    |                           |   |                            |                  |                               |
| To County Funds/Other Agency Funds                     | 129,142                   | 0   | 49,084                     | 0                | 0                             |
| To Other Governments                                   | 184,391                   | 222,632   | 249,716                    | 9,408,066        | 558,177                       |
| Trusts Paid Out  | 66,261                    | 0   | 0                          | 0                | 0                             |
| <b>Total Deductions</b>                                | <b>379,794</b>            | <b>222,632</b>                                  | <b>298,800</b>             | <b>9,408,066</b> | <b>558,177</b>                |
| <b>Balances End of Year</b>                            | <b>\$ 91,562</b>          | <b>213,849</b>                                  | <b>382,009</b>             | <b>9,639,995</b> | <b>571,340</b>                |

See Accompanying Independent Auditor's Report.

**Schedule 4**

| <b>Corporations</b> | <b>Townships</b> | <b>Auto<br/>License<br/>and<br/>Use Tax</b> | <b>E911<br/>Surcharge</b> | <b>E911<br/>Operating</b> | <b>Emergency<br/>Management</b> | <b>Advance<br/>Tax<br/>Collections</b> | <b>Other</b> | <b>Total</b> |
|---------------------|------------------|---|---------------------------|---------------------------|---------------------------------|--|--------------|--------------|
| 2,726,542           | 318,823          | 300,402                                     | 207,127                   | 8,008                     | 69,956                          | 82,644                                 | 17,923       | 14,200,128   |
| 2,666,083           | 322,725          | 0   | 0                         | 0                         | 0                               | 0                                      | 2,547        | 13,242,471   |
| 0                   | 0                | 0   | 59,625                    | 0                         | 0                               | 0                                      | 0            | 59,625       |
| 242,012             | 12,939           | 0   | 0                         | 0                         | 0                               | 0                                      | 135          | 798,838      |
| 46,101              | 2,307            | 0   | 0                         | 0                         | 15,325                          | 0                                      | 23           | 150,016      |
| 0                   | 0                | 0   | 121,487                   | 68                        | 0                               | 0                                      | 0            | 121,555      |
| 0                   | 0                | 0   | 0                         | 0                         | 43,365                          | 0                                      | 0            | 43,365       |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 0                                      | 0            | 328,461      |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 0                                      | 0            | 8,720        |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 0                                      | 2,869        | 2,869        |
| 0                   | 0                | 3,894,703                                   | 0                         | 0                         | 0                               | 0                                      | 0            | 3,894,703    |
| 0                   | 0                | 0   | 512                       | 0                         | 0                               | 0                                      | 1            | 542          |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 0                                      | 33,622       | 33,622       |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 397,598                                | 119,896      | 596,677      |
| 0                   | 0                | 0   | 641                       | 0                         | 642                             | 0                                      | 0            | 1,283        |
| 2,954,196           | 337,971          | 3,894,703                                   | 182,265                   | 68                        | 59,332                          | 397,598                                | 159,093      | 19,282,747   |
| 0                   | 0                | 146,301                                     | 3,000                     | 0                         | 0                               | 0                                      | 0            | 327,527      |
| 2,995,299           | 330,896          | 3,730,532                                   | 69,218                    | 0                         | 76,134                          | 0                                      | 39,433       | 17,864,494   |
| 0                   | 0                | 0   | 0                         | 0                         | 0                               | 373,090                                | 120,035      | 559,386      |
| 2,995,299           | 330,896          | 3,876,833                                   | 72,218                    | 0                         | 76,134                          | 373,090                                | 159,468      | 18,751,407   |
| 2,685,439           | 325,898          | 318,272                                     | 317,174                   | 8,076                     | 53,154                          | 107,152                                | 17,548       | 14,731,468   |

**Lyon County**

**Schedule of Revenues by Source and Expenditures by Function –  
All Governmental Funds**

**For the Last Ten Years**

|                                      | <b>Modified</b>      |                   |                   |                   |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
|                                      | <b>2015</b>          | <b>2014</b>       | <b>2013</b>       | <b>2012</b>       |
| <b>Revenues:</b>                     |                      |                   |                   |                   |
| Property and Other County Tax        | \$ 5,881,814         | 5,529,147         | 5,323,928         | 4,929,682         |
| Local Option Sales Tax               | 673,150              | 569,653           | 616,018           | 716,701           |
| Hotel/Motel Tax                      | 178,983              | 150,007           | 111,806           | 133,182           |
| Gaming Taxes                         | 519,796              | 528,672           | 519,791           | 513,401           |
| Tax Increment Financing              | 508,960              | 580,480           | 335,741           | 80,478            |
| Interest and Penalty on Property Tax | 24,920               | 25,082            | 22,984            | 21,567            |
| Intergovernmental                    | 6,293,401            | 5,045,593         | 4,697,199         | 5,291,886         |
| Licenses and Permits                 | 66,821               | 61,865            | 62,559            | 77,845            |
| Charges for Service                  | 949,882              | 923,743           | 866,816           | 940,095           |
| Use of Money and Property            | 149,512              | 144,278           | 135,751           | 141,876           |
| Miscellaneous                        | 554,247              | 262,495           | 275,536           | 361,804           |
| <b>Total</b>                         | <b>\$ 15,801,486</b> | <b>13,821,015</b> | <b>12,968,129</b> | <b>13,208,517</b> |
| <b>Expenditures:</b>                 |                      |                   |                   |                   |
| <b>Operating:</b>                    |                      |                   |                   |                   |
| Public Safety and Legal Services     | \$ 3,137,731         | 2,838,112         | 3,057,014         | 2,788,242         |
| Physical Health and Social Services  | 617,930              | 784,421           | 818,020           | 783,744           |
| Mental Health                        | 290,046              | 331,318           | 426,553           | 1,054,644         |
| County Environment and Education     | 977,523              | 1,007,684         | 827,644           | 767,823           |
| Roads and Transportation             | 5,047,765            | 4,770,338         | 3,995,491         | 4,767,489         |
| Governmental Services to Residents   | 479,461              | 468,680           | 535,107           | 475,670           |
| Administration                       | 1,134,346            | 1,070,505         | 1,110,242         | 1,088,565         |
| Non-Program Current                  | 70,716               | 85,632            | 85,741            | 80,478            |
| Debt Service                         | 243,623              | 243,022           | 242,323           | 241,523           |
| Capital Projects                     | 3,619,052            | 768,419           | 827,606           | 1,458,493         |
| <b>Total</b>                         | <b>\$ 15,618,193</b> | <b>12,368,131</b> | <b>11,925,741</b> | <b>13,506,671</b> |

See Accompanying Independent Auditor's Report.

| Accrual Basis |            |            |            |            |           |
|---------------|------------|------------|------------|------------|-----------|
| 2011          | 2010       | 2009       | 2008       | 2007       | 2006      |
| 4,835,770     | 4,411,208  | 4,057,468  | 3,923,669  | 3,894,317  | 3,733,047 |
| 506,400       | 461,496    | 466,114    | 442,135    | 453,163    | 383,787   |
| 0             | 0          | 0          | 0          | 0          | 0         |
| 41,059        | 0          | 0          | 0          | 0          | 0         |
| 34,573        | 28,097     | 27,130     | 17,915     | 17,213     | 14,797    |
| 24,040        | 22,061     | 19,766     | 19,218     | 22,041     | 19,738    |
| 6,338,486     | 5,191,837  | 5,143,744  | 4,731,502  | 4,609,589  | 4,335,191 |
| 71,427        | 68,272     | 59,212     | 47,818     | 49,094     | 47,705    |
| 831,945       | 773,429    | 763,311    | 766,261    | 699,946    | 581,167   |
| 156,496       | 182,685    | 213,890    | 291,628    | 311,459    | 245,570   |
| 421,700       | 60,018     | 138,376    | 91,996     | 208,452    | 119,583   |
| 13,261,896    | 11,199,103 | 10,889,011 | 10,332,142 | 10,265,274 | 9,480,585 |
| 2,782,976     | 2,572,767  | 2,461,084  | 2,234,702  | 2,134,146  | 1,967,122 |
| 793,614       | 785,963    | 758,292    | 744,482    | 685,546    | 625,689   |
| 1,108,429     | 1,007,259  | 1,017,862  | 1,069,718  | 985,661    | 914,771   |
| 709,847       | 713,793    | 745,926    | 692,411    | 660,724    | 487,539   |
| 5,034,748     | 3,424,984  | 3,900,660  | 3,174,767  | 3,452,833  | 3,393,828 |
| 419,614       | 419,591    | 451,162    | 377,071    | 335,089    | 443,417   |
| 988,381       | 896,744    | 855,233    | 875,240    | 803,685    | 752,959   |
| 105,742       | 28,097     | 27,130     | 17,915     | 17,213     | 14,797    |
| 242,866       | 279,673    | 252,685    | 280,383    | 286,239    | 287,438   |
| 1,163,223     | 139,202    | 816,779    | 97,793     | 451,859    | 845,786   |
| 13,349,440    | 10,268,073 | 11,286,813 | 9,564,482  | 9,812,995  | 9,733,346 |

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

| Grantor/Program   | CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Expenditures |
|---|----------------|-------------------------------------|-------------------------|
| Indirect:   |                |                                     |                         |
| U.S Department of Health and Human Services:  |                |                                     |                         |
| Iowa Department of Human Services:  |                |                                     |                         |
| Human Services Administrative Reimbursements:   |                |                                     |                         |
| Child Care Mandatory and Matching Funds of the Child<br>Care and Development Fund         | 93.596         |                                     | \$ 786                  |
| Foster Care - Title IV-E  | 93.658         |                                     | 1,166                   |
| Refugee and Entrant Assistance  | 93.566         |                                     | 7                       |
| Adoption Assistance   | 93.659         |                                     | 368                     |
| Children's Health Insurance Program   | 93.767         |                                     | 19                      |
| Medical Assistance Program  | 93.778         | CMS-2249-P2                         | 5,729                   |
| Social Services Block Grant   | 93.667         |                                     | 935                     |
| Social Services Block Grant   | 93.667         |                                     | 29,551                  |
|   |                |                                     | 30,486                  |
| Iowa Department of Public Health:   |                |                                     |                         |
| Immunization Grants   | 93.268         | 5884 I451                           | 7,060                   |
| Immunization Grants   | 93.539         | 5885 I451                           | 1,334                   |
| Bioterrorism Grant  | 93.074         | 5885 BT39                           | 35,391                  |
| U.S. Department of Agriculture:   |                |                                     |                         |
| Iowa Department of Human Services:  |                |                                     |                         |
| Human Services Administrative Reimbursements:   |                |                                     |                         |
| State Administrative Matching Grants for the Supplemental<br>Nutrition Assistance Program | 10.561         |                                     | 3,041                   |
| U.S. Department of Justice:   |                |                                     |                         |
| Iowa Department of Justice:   |                |                                     |                         |
| Crime Victim Assistance   | 16.575         | VA-1578-CJ                          | 22,249                  |
| Violence Against Women Formula Grants   | 16.588         | VW-1579-CJ                          | 1,851                   |
| U.S. Department of Homeland Security:   |                |                                     |                         |
| Iowa Department of Homeland Security and Emergency<br>Management:                         |                |                                     |                         |
| Disaster Grants - Public Assistance<br>(Presidentially Declared Disasters)                | 97.036         | DR-4184, DR-4186                    | 1,590,515               |
| Iowa Department of Public Defense:  |                |                                     |                         |
| Emergency Management Performance Grants   | 97.042         | EMPG-15-PT 60-001                   | 15,261                  |
| Total   |                |                                     | \$ 1,715,263            |

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Lyon County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Accompanying Independent Auditor's Report.

**Lyon County**

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards***



# **DE NOBLE, AUSTIN & COMPANY PC**

## **Certified Public Accountants**

111 S. Story Street  
Rock Rapids, IA 51246  
www.denoblepc.com

**MEMBERS**  
American Institute - Certified Public Accountants  
Private Companies Practice Section  
Iowa Society - Certified Public Accountants

Phone : (712) 472-2549  
Fax : (712) 472-2540  
Email : cpas@denoblepc.com

### **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Officials of Lyon County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 12, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lyon County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lyon County's internal control. Accordingly, we do not express an opinion on the effectiveness of Lyon County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-15-A, C, E, F, G, I, and J to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-15-B, D, H, and K to be significant deficiencies.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## Lyon County's Responses to Findings

Lyon County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lyon County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lyon County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*De Noble & Company PC*

De Noble & Company PC  
d/b/a De Noble, Austin & Company PC  
Certified Public Accountants

February 12, 2016

**Lyon County**

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

# **DE NOBLE, AUSTIN & COMPANY PC**

## **Certified Public Accountants**

### **MEMBERS**

111 S. Story Street  
Rock Rapids, IA 51246  
www.denoblepc.com

American Institute - Certified Public Accountants  
Private Companies Practice Section  
Iowa Society - Certified Public Accountants

Phone : (712) 472-2549  
Fax : (712) 472-2540  
Email : cpas@denoblepc.com

### **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133**

To the Officials of Lyon County:

#### **Report on Compliance for Each Major Federal Program**

We have audited Lyon County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Lyon County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Lyon County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lyon County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Lyon County's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, Lyon County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.



## Report on Internal Control Over Compliance

The management of Lyon County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lyon County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lyon County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*De Noble & Company PC*

De Noble & Company PC  
d/b/a De Noble, Austin & Company PC  
Certified Public Accountants

February 12, 2016

**Lyon County**  
**Schedule of Findings and Questioned Costs**

**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 97.036 – Federal Emergency Management Agency – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lyon County did not qualify as a low-risk auditee.

**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-15-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, also assists in maximizing the accuracy of the County's financial statements. We noted a lack of segregation of duties (incompatible duties, from a control standpoint, are being performed by the same employee) over financial transactions, recordkeeping, reconciling functions and financial reporting in several offices. This comment also applies, as applicable, to the County Assessor, County Extension, Emergency Management and E911.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a) All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to supporting receipt documentation to the cash receipt records, and to the actual deposit made by an independent person.
- b) Bank accounts should be reconciled and reviewed promptly at the end of each month by individuals who do not sign checks, handle currency or record cash/checks.
- c) A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments, and reconcile documents to the investment records.
- d) Supplies and fixed assets ordered should be received by someone other than the person who initiated the order. The person responsible for verifying all items ordered are received and the proper amounts are charged should be independent from the purchasing and cash disbursement functions.
- e) Authorization of transactions, handling of source documents, custody of assets and the responsibility for long-term debt recordkeeping should be segregated. The persons who are responsible for cash disbursements should be segregated from ledger entry in the accounting records.
- f) Payroll recordkeeping (including compensated absences) should be done by persons who are independent of the payroll disbursement functions. The payroll should be verified by independent individuals. Only individuals who are independent of the payroll (including payroll disbursements) process should have access to change the payroll rates.
- g) Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.



**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

- h) Billings for services, the recordkeeping of other receivables, and the handling of receipts should be segregated. The billing rates being charged should be verified by independent individuals on a regular basis.
- i) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing the checks to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks. Procedures need to be established to ensure that both of the individuals whose signature is on the check have reviewed and approved the supporting documentation for which the check was issued.

We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of his or her office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office to provide additional control by reviewing financial transactions, reconciliations and reports. Such reviews should be performed by independent persons, to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will have each office evaluate these recommendations. We will attempt to develop strategies to implement each of the recommendations as economically practicable within each office.

Conclusion – Response accepted. It is important that you attempt to implement these recommendations.

II-15-B Accounting Procedures Manual – The County does not have updated accounting procedures manuals for all aspects of the County's accounting systems (primarily relates to some of the individual offices).

Recommendation – Updated accounting procedures manuals should be prepared and implemented for all aspects of the County's accounting systems.

Response – We will stress to each applicable office the need to create a written accounting procedures manual for their office's accounting system.

Conclusion – Response accepted. Please do attempt to have each appropriate office work on this.

II-15-C Job Rotations – Financial personnel's duties are not always rotated for a period of time each fiscal year.

**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and each person's duties should be done by another employee when a person is on vacation. Employees should be cross-trained to be able to perform a fellow employee's duties.

Response – We will have each office work on making sure their personnel are rotating duties and being cross-trained.

Conclusion – Response accepted. Please do have each office attempt to implement this recommendation.

II-15-D Usage of County Vehicles – When using County credit cards for fueling, the capital asset's identification and the mileage at the time of fueling are not always noted on the credit card receipt. Vehicle/machinery mileage logs should be compared to fuel invoices and a calculation done to check reasonableness of the fuel purchased.

Recommendation – Per the County's employee handbook, when using County credit cards for fueling, the vehicle's identification and the mileage at the time of fueling should always be noted on the credit card receipt. Mileage and fuel logs should be maintained on each vehicle/piece of machinery and tested against the fuel charged to each vehicle/piece of machinery to verify reasonableness of mileage per gallon. Each department needs to develop procedures to ensure this recommendation is implemented.

Response – We will stress to each of the appropriate departments the need to comply with the handbook policy and implement your recommendation.

Conclusion – Response accepted. Please make sure each of the departments do work on developing procedures to implement this recommendation.

II-15-E Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies for:

- automatic log-off provisions in certain offices when left unattended for a period of time. Upon log-off, the user should have to enter a password to re-access information.
- requiring password changes on computers not connected to the mainframe because the software does not require the user to change passwords periodically.
- requiring the password to use multiple characters on the keyboard.

Recommendation – Written policies should be developed addressing the aforementioned procedures in order to improve the controls over computer based systems.

**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

Response – We will address these computer related issues with each of the individual offices and communicate with Solutions to ensure all procedures are implemented.

Conclusion – Response accepted. Please do attempt to work with Solutions to develop policies/procedures that implement these recommendations in each office.

II-15-F Payroll Issues – Payroll time sheets are not always being signed/formally approved by the employee as well as the employee's supervisor. Also, there are several employees that do not fill out time sheets.

Recommendation – The County should consider the need to require all County personnel to prepare daily time sheets or time cards. All County time cards/sheets should have a signature line for the employee and the employee's direct supervisor that should be required to be completed before a paycheck is issued in order to attest to the accuracy of hours worked.

Response – We will address the issues of time cards/sheets.

Conclusion – Response accepted.

II-15-G Inventory Records – Inventory records, particularly for gravel inventory, is not always reconciled to the year end physical count. Inventory records are not being monitored on a regular on-going basis.

Recommendation – Inventory procedures and monitoring should be analyzed for ways to increase accuracy, controls and efficiency.

Response – We will have the appropriate offices work on improving inventory procedures and related records.

Conclusion – Response accepted. Please stress the importance of developing accurate inventory records to each appropriate office.

II-15-H Earned Comp Time – We noted a few exempt employees who received and utilized comp time during the year; however, according to the County's employee policies/handbook, exempt employees are not eligible to earn comp time.

Recommendation – An evaluation needs to be made to determine which employees are considered to be included in the exempt status as not eligible for comp time. It also needs to be clear in the employee handbook whether comp time is allowed to be earned by exempt employees in each department and clearly have legal counsel document why some exempt employees get comp time and other exempt employees do not in order to ensure the legality of this approach. The County needs to develop procedures to ensure all employee handbook policies are being followed.

**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

Response – We will work with our County Attorney and the department heads to come up with a legally proper policy which is adopted in our employee handbook.

Conclusion – Response accepted. Please work with legal counsel to adopt a comp time policy which will be implemented by County departments.

II-15-I Financial Reporting – During the audit, we identified material amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, revenues, expenses/expenditures and operating transfers not recorded properly in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, revenues, expenses/expenditures and operating transfers are identified and included in the County's financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will continually attempt to identify procedures where we can improve on our financial records.

Conclusion – Response accepted. Please do review your procedures in an effort to identify areas which may improve on the accuracy of your financial records.

II-15-J Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County's expected ethics.

Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and being monitored on a regular basis. County management also needs to communicate the County's expected ethics and hold County employees accountable to exhibit those expected ethics.

Response – We will continue to work on your recommendations in an attempt to re-establish a culture based on ethical behavior.

Conclusion – Response accepted. Please review policies and procedures for methods to improve internal controls, compliance issues, and anti-fraud procedures.

II-15-K Confidential Law Enforcement Investigation Purposes – All cash funds and disbursements for confidential law enforcement investigation purposes were not under dual control. Written records of these funds were not reviewed regularly by an independent person.

**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

Recommendation – The County Attorney, or at least one other independent individual, and a law enforcement employee should cooperate and establish a system to administer all cash funds and disbursements for confidential law enforcement investigation purposes. The written records of these funds should be reviewed regularly by the County Attorney or another independent individual.

Response – We will have the Sheriff's Office and County Attorney work on developing procedures as to how this can be accomplished in a suitable manner.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**Lyon County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

**Part III: Findings and Questioned Costs For Federal Awards:**

**CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Federal Award Year: 2015**

**U.S. Department of Homeland Security**

**Passed through the Iowa Department of Homeland Security and Emergency Management**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-15-1     Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amount budgeted for any function or the amount appropriated for any department.

IV-15-2     Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

We noted several meal expense reimbursements to employees that did not have the proper detailed support retained, one invoice which did not have indication of proper approval, and an instance of a meal reimbursement which included a tip, which is not allowed under the County’s reimbursement policy. We noted two instances where the daily meal limit was exceeded and the excess was not reimbursed back to the County. There were also several invoices where it was noted that sales tax was incorrectly charged to and paid by the County.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors needs to enforce the County’s written policies in regards to employee expense reimbursements and should determine and document the public purpose served by any exceptions to the written policies before authorizing any further payments. All disbursements, including credit card charges/employee meal charges, should be supported by an actual receipt/invoice that supports the charge in detail (a credit card slip with no detailed support is insufficient) and be properly documented as to the public purpose of the expenditure. Additionally, all invoices should be reviewed to ensure that sales tax is not being charged to the County.

Response – We will evaluate what procedures should be modified to ensure your recommendation is implemented.

Conclusion – Response accepted. It is important that these issues are addressed in a timely manner.

IV-15-3     Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Other Findings Related to Required Statutory Reporting: IV-15-2” for a possible related comment.

**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

- IV-15-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title and Business Connection                                       | Transaction Description | Amount    |
|---|-------------------------|-----------|
| Deep Clean Inc., Jennifer Smit's Husband is a Shareholder, County Auditor | Custodial services      | \$ 10,833 |
| Todd Reinke, Owner of Todd's True Value, Conservation Board Member        | Supplies                | 1,160     |
| A & R Snow Removal, Roberta Flier's Husband is the Owner, Dispatcher      | Snow removal            | 1,836     |
| Rapid Flooring, LuAnn Serck's Husband is an Owner, Dispatcher             | Carpet, flooring        | 11,028    |

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Todd's True Value do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year. The transactions with Deep Clean Inc., Rapid Flooring and A & R Snow Removal do not appear to represent conflicts of interest since the transactions were entered into through competitive bidding.

- IV-15-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- IV-15-6 Board Minutes – During a review of the Conservation Board minutes, we noted an instance where a motion was voted on and carried with one dissenting vote; however, detail was not listed in the minutes to indicate the vote of each member. Additionally, the Emergency Management and E911 Board minutes do not document the vote of each member.

Recommendation – Each County Board should implement procedures to ensure that the minutes are documented in sufficient detail to indicate the vote of each member in accordance with Chapter 21.3 of the Code of Iowa.

Response – This was an oversight for each Board. Each Board usually records the vote of each member as required and will do so in the future.

Conclusion – Response accepted.



**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

IV-15-7 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-15-8 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-15-9 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.

The County Extension needs to review Part II: “Findings Related to the Financial Statements – Internal Control Deficiencies” for reportable conditions that relate to the Extension or could improve the Extension’s internal control.

IV-15-10 Urban Renewal Annual Report – The County’s urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

IV-15-11 TIF Certification – The Auditor’s Office is responsible for monitoring TIF development agreements. We noted one company which did not submit one of the required semi-annual certifications, which attests to all covenants being performed in compliance with the TIF development agreement.

Recommendation – The County should implement procedures to ensure all requirements of TIF development agreements are documented as being met before submission of TIF collections are made available to the recipients.

Response – We will implement this recommendation.

Conclusion – Response accepted. Please make sure all TIF development agreements are in compliance on a regular basis.

IV-15-12 Deficit Fund Balance – There was a deficit fund balance of \$421,000 noted in the County Tax Increment Financing Fund at June 30, 2015.

Recommendation – The County should implement procedures to monitor fund balances in order to avoid deficit fund balances.

**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

Response – We will implement this recommendation. TIF collections are going to be used to eliminate the County Tax Increment Financing Fund deficit.

Conclusion – Response accepted.

- IV-15-13 Inter Fund Debt – While a resolution setting the date for a public hearing on the proposal to incur noncurrent debt was appropriately approved in the Board minutes and public notice for the inter fund debt was published timely in the County's official newspapers, both the resolution and the public notices indicated an incorrect repayment term for the inter fund loan (the loan is to be repaid in fiscal year 2015/2016, not over seven fiscal years as stated) and the public notices incorrectly stated the wrong fund which the inter fund loan was to be issued from (stated the General Fund but should have been the Secondary Roads Fund).

Recommendation – The County should implement procedures to ensure all aspects of Chapter 331.478 of the Code of Iowa are properly followed and disclose all the accurate information in regards to inter fund debt.

Response – The public notice error indicating the General Fund rather than the Secondary Roads Fund was specifically noted in the Board minutes and discussed during the public hearing. We will review our procedures in order to ensure this recommendation is implemented.

Conclusion – Response accepted.

- IV-15-14 Inter Fund Transfers – The Board of Supervisors approved \$300,000 of the construction costs for the new Little Rock secondary road shop to be paid with gambling tax collections maintained in the General Basic Fund. However, the Board of Supervisors did not approve a resolution in the minutes authorizing an operating transfer of the gambling tax dollars from the General Basic Fund to the Secondary Roads Fund.

Recommendation – The County should implement procedures to ensure that all inter fund transfers are properly identified and approved in the Board of Supervisors minutes by resolution in accordance with Chapter 331.432 of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- IV-15-15 Auditor's Duties – Under Chapter 331.508 of the Code of Iowa, the County Auditor shall keep an account book and index of persons receiving mental health treatment as provided in Section 230.26, as well as a record book of the names and addresses of persons receiving veterans' assistance. However, the County Auditor does not maintain these records as written pursuant to Iowa Code 331.508 as the mental health records are maintained by the Central Point Coordinator and the veterans' record book is not kept based on the interpretation that the requirements under Iowa Code 35B.10 governing

**Lyon County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

Veteran's Affairs are properly being followed and overrides Chapter 331.508 requirements of the Code of Iowa based on wording.

Recommendation – The County Auditor should consult legal counsel regarding the interpretation of these statutes and work with Mental Health and Veteran's Affairs to ensure the Code of Iowa requirements are being properly followed.

Response – We will work with legal counsel on determining which Iowa Code Section, should be followed. We will make sure we are in compliance based on our legal counsels recommendation.

Conclusion – Response accepted.

**Lyon County**

**Staff**

This audit was performed by:

David De Noble, CPA, Senior Auditor  
Carmen Austin, CPA, Senior Auditor  
Kayla Reck, Assistant Auditor  
Russell Forest, Assistant Auditor

De Noble & Company PC  
d/b/a De Noble, Austin & Company PC  
Certified Public Accountants